DOCUMENT RESUME

ED 185 926 HE 012 619

AUTHOR Hughes, K. Scott: And Others
TITLE A Management Reporting Manual for Colleges: A System of Reporting and Accounting.
INSTITUTION National Association of Coll. and Univ. Business Officers, Washington, D.C.
SPONS AGENCY Ford Foundation, New York, N.Y.
PUB DATE 80
NOTE 131p.; Parts may not reproduce clearly because of colored background.
AVAILABLE FROM National Association of College and University Business Officers, One Dupont Circle NW, Washington, DC 20036.

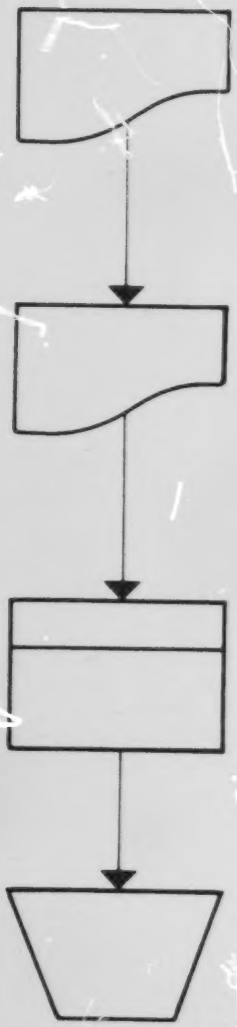
EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Administrator Guides; *Budgeting; Classification; College Admission; Costs; Data Collection; Educational Finance; *Expenditures; *Higher Education; *Management Information Systems; Records (Forms); *Reports; *School Accounting; School Business Officials; Student Financial Aid; Student Recruitment

ABSTRACT

This manual, a revision of the 1976 publication entitled "Management Reports," is intended to assist college business officers in establishing sound accounting systems and in preparing readable and meaningful financial management reports. A detailed description of the accounting system and a new expenditure classification structure have been included. The classification structure is comprehensive and is intended to provide meaningful cost information to use in budget analysis, control, and financial forecasting. Report formats that institutions can adapt to meet their needs are included for the following areas: student recruitment, admissions, and retention: student financial aid; personnel; budget control; auxiliary enterprises development programs; debt service; and cash management. Reports are intended primarily for interim internal reporting, providing management and governing board members with information on a monthly or quarterly basis. A chart of accounts and related coding structure provides the various categories used in classifying the financial transactions of an institution. The coding structure is intended for use with electronic data processing equipment, but it can be used with less sophisticated accounting systems. Sample forms are appended and definitions are provided for the following: funds, functions and subfunctions, specific unit, general ledger classification, assets, liabilities, appropriations, reserves/fund balances, revenues and receipts, expenditures and transfers. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED185926



HE012619

A Management Reporting Manual for Colleges

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

NACUBO

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

National Association of College and University Business Officers

A Management Reporting Manual for Colleges

A System of Reporting and Accounting

K. Scott Hughes Jerry H. Leonard M. J. Williams, Jr.

National Association of College and University Business Officers

© 1980 by the National Association
of College and University Business Officers
One Dupont Circle
Washington, D.C. 20036

All rights reserved

Printed in the United States of America

Edited and designed by Jeanne Nevin

LC 80-12101

ISBN 0-915164-10-8

Contents

List of Exhibits iv
Preface v

1 Management Reporting 1
Budgets 1
Operating Reports 8
Conclusion 24

2 Accounting 25
Chart of Accounts and Coding Structure 25
General Flow of Accounting 34

Appendix A—Definitions 45
Funds 47
Functions and Subfunctions 47
Specific Unit 52
General Ledger Classification 52
Assets 52
Liabilities 53
Appropriations, Reserves, and Fund Balances 54
Revenues and Receipts 55
Expenditures and Transfers 56

Appendix B—Sample Forms 59

List of Exhibits

1.1a-d Operating Budget and Long-Range Plan 2-4
1.1a Revenues 2
1.1b Expenditures and Mandatory Transfers (by Function) 2
1.1c Expenditures and Mandatory Transfers (by Object) 3
1.1d General Information 4
1.2 Budget Projection—Revenues 5
1.3 Budget Projection—Expenditures 7
1.4 Statement of Operations and Variance Analysis 8
1.5a Summary of Budget Changes 9
1.5b Request for Budget Revision 10
1.5c Budget Change Request 10
1.6 Cash Flow Projections 12
1.7 Cash Flow Statement 13
1.8 Admissions Data 14
1.9 Admissions Statistics 15
1.10 Environmental Assumptions (Historical Data) 16
1.11 Institutional Scholarships 17
1.12 Student Financial Aid from College Funds 17
1.13 Summary of Student Financial Aid by Sources of Funds 18
1.14 Daily Transmittal Sheet (Development Program) 19
1.15 Summary Report (Development Program) 20
1.16 Comparative Income Statement (Bookstore) 21
1.17 Comparative Income Statement (Housing) 22
1.18 Comparative Income Statement (Food Services) 23
1.19a Projected Auxiliary Enterprise Income 24
1.19b Other Auxiliary Enterprise Data 24
2.1 General Scheme of Accounting—Accounting Subsystems 35
2.2 Income Accounting Subsystem—Charges 37
2.3 Income Accounting Subsystem—Receipts 39
2.4 Expenditures Accounting Subsystem 41
2.5 Payroll Subsystem 43
B1 Charge List 61
B2 Accounts Receivable Ledger 61
B3 General Ledger 61
B4 Statement of Account 62
B5 Cash Receipt 62
B6 Cash Receipts Register 62
B7 Purchase Order Register 63
B8 Request for Payment 63
B9 Check Register 63
B10a Report of Expenditures 64
B10b Reimbursement of Personal Travel Expense 65
B11a Time Card 66
B11b Payroll Summary--Support Staff 66
B11c Payroll Time Report 67
B12 Payroll Register 68
B13 Statement of Earnings and Payroll Check 69
B14 Employee Earnings Record 70
B15 General Ledger—Income Accounts 70
B16 General Ledger—Expenditure Accounts 71
B17 Journal Voucher 71
B18a Endowment and Similar Funds—Archival Summary 72
B18b Gift Record 73

Preface

For more than fifteen years, volunteer leaders of the National Association of College and University Business Officers (NACUBO) have concentrated on improving the financial management information used by college and university business officers, academic officers, and members of governing boards. *A Management Reporting Manual for Colleges* is the latest version in a series of manuals intended to assist college business officers in establishing sound accounting systems and in preparing readable and meaningful financial management reports.

This edition, the result of a project funded by the Ford Foundation, is a revision of the 1976 NACUBO publication *Management Reports*. Several features have been added. First, the material has been reorganized to emphasize the need for concise and meaningful management reporting. The detailed description of the accounting system now found at the end of the book will be of interest to those responsible for maintaining the accounting system. Second, a new object of expenditure classification structure has been included. It is comprehensive and is intended to provide meaningful cost information to use in budget analysis, control, and financial forecasting. Third, management report formats illustrated in the new edition have been made compatible with those in other NACUBO publications, such as *A Planning Manual for Colleges*.

This manual had its beginning in 1966 with the creation of a committee to determine how to help traditionally black institutions recover from the financial problems of that time. With financing from the Esso Education Foundation and the Ford Foundation, the committee hired consultants and visited selected institutions. Three areas—planning, budgeting, and accounting; personnel administration; and construction management—were identified as needing the most attention.

Based on this study, Peat, Marwick, Mitchell & Co. provided consultant services and assisted in developing a college operating manual covering planning, budgeting, and accounting that was published in 1969. Although the manual was directed specifically toward traditionally black institutions, it proved to have far broader acceptance and usage. More than 2,500 copies were distributed and the manual was the basis for NACUBO workshops and institutes.

Again with Ford Foundation support, the manual was revised and published in 1976. At that time the material contained in the original manual was separated into two documents. Accounting and reporting concepts were described in one, *Management Reports*, with planning and budgeting techniques contained in the other, *A College Planning Cycle*. The Ford Foundation simultaneously underwrote the NACUBO study entitled *User Needs: An Empirical Study of College and University Financial Reporting*. This study clearly identified two areas in which management reporting in higher education might be significantly improved: the development of greater consistency in reporting and the provision in financial reports of information that is readily understandable to persons who do not have a technical accounting background but who, as members of governing boards or as administrators, make significant decisions concerning an institution's operations.

Thus evolved the concept of a management reporting guide that stresses the philosophy of providing simple, straightforward, and accurate reports without sacrificing the precision necessary for an efficient accounting system. This manual identifies operational areas that managers should investigate or departments from which information should be delivered to administrators within an institution. Reporting techniques such as those recommended in this manual are important because they function as an early warning system for an institution while providing an analytical basis for policy or procedural changes. The accounting guidelines in the manual are the logical expression of a system that will deliver such reports to management.

Since *Management Reports* was published in 1976, NACUBO has continued to develop management materials assisting business officers, academic officers, and trustees. In cooperation with the Association of Governing Boards of Universities and Colleges (AGB) and with funding from the W. K. Kellogg Foundation, NACUBO published *Financial Responsibilities of Governing Boards of Colleges and Universities* in 1979. The monograph describes the financial policies and decisions of concern to board members and offers suggested financial report formats for their use. Another manual, *Management of Student Aid*, is a comprehensive description of the policies, systems, procedures, and reports institutions require to effectively manage student aid resources. A third publication, *A Planning Manual for Colleges*, describes the NACUBO planning, budgeting, and evaluation process that has

proved effective at many colleges. These management aids are designed to better prepare business officers to cope with the complex financial management issues facing their institutions.

The history of support for this project has been long and rich. NACUBO volunteers who have devoted their energy and talents to this effort in the last fifteen years include the following: Robert W. Anderson, Grinnell College; Paul Aslanian, Macalester College; Marlene Barfield, Mount Mercy College; Harold E. Bell, University of Chicago; James W. Bryant, Robert R. Moton Institute, Inc.; A. Dean Buchanan, California Lutheran College; John Dozier, Kalamazoo College; Kenneth R. Erfft, Duquesne University; Norman H. Gross, University of California System; J. Leslie Hicks, Jr., Denison University; Sherwin Howard, Lawrence University; Thomas O. James, Birmingham Southern College; Eugene W. Johnson, Hampton Institute; James R. Jordan, the Ford Foundation; Dean H. Kelsey, Albright College; Jerry H. Leonard, St. Petersburg Junior College; Reuben H. Lorenz, University of Wisconsin System; Lee J. Maisel, University of Maryland; John D. Phillips, Eckerd College; David W. Phipps, University of Alabama; W. Harold Read, University of Tennessee; Carroll Rikert, Jr., Middlebury College; James J. Ritterskamp, Jr., Vassar College; Daniel D. Robinson, Peat, Marwick, Mitchell & Co.; Clarence Scheps, Tulane University; William A. Shoemaker, Council for the Advancement of Small Colleges; Richard Thomas, Arkansas College; Fred S. Vorsanger, University of Arkansas; William M. Wilkinson, University of Rochester, Lucius A. Williams, Tuskegee Institute; and Marwin O. Wrolstad, Lawrence University.

This edition, like the previous two, resulted from the efforts of a large number of NACUBO volunteers. The steering committee for this project included Thomas O. James, Birmingham Southern College, chairperson; Robert W. Anderson, Grinnell College; Paul Aslanian, Macalester College; James W. Bryant, Robert R. Moton Institute, Inc.; Virginia Fadil, National Association of Independent Colleges and Universities; J. Leslie Hicks, Jr., Denison University; James R. Jordan, the Ford Foundation; B. A. Little, Moton Management Improvement Program; Charles C. Teamer, Dillard University; Richard Thomas, Arkansas College; and Lucius A. Williams, Tuskegee Institute. It is appropriate to give special acknowledgment to A. Dean Buchanan, who contributed generously of his time in reviewing the reporting section manuscripts and in offering valuable advice and criticism.

NACUBO staff participating in the current effort were D. F. Finn, K. Scott Hughes, and M. J. Williams, Jr.

1 Management Reporting

Institutional officers prepare many management reports that cover a broad range of informational needs for a wide variety of users. A 1975 NACUBO study funded by the Ford Foundation identified seven categories of user needs (as perceived by fifteen user groups), including decisions on the following:

- Credit.
- Gifts.
- Appropriations.
- Contracts.
- Matriculation.
- Accreditation.
- Reviews or audits.

Generally, the annual financial reports of colleges are designed to disclose the sources and uses of funds. The three formal reports are the balance sheet; the statement of changes in fund balances; and the statement of current fund revenues, expenditures, and other changes. These reports are covered in detail in *College and University Business Administration,* Third Edition, published by NACUBO in 1974. To answer questions about how well a college is being managed, however, requires information beyond that found in the three formal reports.

Other reports derived from the institution's financial records are prepared for a number of specific user groups: trustees, institutional administrators, creditors, alumni, donors, and funding agencies, such as foundations. For example, reports to college officials, including members of the governing board, are intended to provide more detail on operations; this added detail is necessary for informed decision making. The additional reports illustrated in this chapter may be used to provide such detail; they present a fuller description of an institution's financial and operating activities, while pointing out areas requiring the attention of management or the governing board. A complete list of reports may be found at the beginning of the manual.

A report is well constructed when it is clear and concise and addresses the needs of specific users; it should summarize financial and other management data in a meaningful way. The most helpful reports are those that indicate the direction in which an institution is moving. Areas of particular interest include student recruitment, admissions, and retention; student financial aid; personnel; budget control; auxiliary enterprises; development programs; debt service; and cash management. Report formats for each of these areas are included in this manual.

Each institution, however, needs to develop reports to fit its own circumstances and modes of operation. The exhibits included here are intended as examples to stimulate the development of more appropriate and informative reports. The exhibits in this chapter provide the basis for a reporting mechanism that serves both as an early warning system for potential financial problems and as an indicator of increased revenues, thus enabling the institution to develop new programs or to strengthen existing ones.

Reports displayed and discussed in this section are intended primarily for interim internal reporting, providing management and governing board members with information on a monthly or quarterly basis. The reports have been integrated so that information flows from one to another. Such interim reports should be timely and accurate, and the data displayed should provide sufficient information to answer questions that have been raised. Innovation is important, not only for developing new reports as they are required, but also for creating and maintaining user interest in existing reports so as to enhance decision making.

Budgets

The institution's management information system derives from a basic building block—the budget (exhibits 1.1a-d). Generally, institutional budgets are prepared and approved well in advance of the start of a new fiscal year, but changes naturally occur as projections are modified by daily events. Institutional management should be aware of (and reporting techniques should reflect) the inevitability of change. A management reporting system should include a means of identifying variances from the budget and describing reasons for them. The approved annual budget should be broken down on a monthly basis so that comparisons can be made with actual expenditures. Exhibit 1.2 is an example of such a report, which shows the budget projection for revenue. A list of various revenue items, with examples for estimating their amounts, follows.

Tuition is projected on an annual basis, and revenues are compared with budget projections. In exhibit 1.2, enrollment at an institution operating on a semester basis is estimated at 1,250 full-time equivalents (FTEs) for the year, and tuition of $1,250 is charged for each full-time student each

Exhibit 1.1a
Operating Budget and Long-Range Plan
Peoples College

Revenues (In thousands)

	Actual 1978-79	Projection 1979-80	Proposed budget 1980-81	Plan 1981-82	Plan 1982-83	Plan 1983-84	Plan 1984-85
Tuition and fees	$5,173	$5,370	$5,630	$5,905	$6,192	$6,492	$7,072
Private gifts and grants							
Unrestricted	615	610	661	693	688	722	731
Restricted	369	334	399	407	421	429	438
Federal grants and contracts	520	475	635	674	645	660	670
Endowment income	1,739	1,801	1,929	2,064	2,207	2,390	2,557
Subtotal	8,416	8,590	9,244	9,743	10,153	10,693	11,468
Auxiliary enterprises	1,221	1,347	1,801	1,927	2,047	2,204	2,305
Total	$9,647	$9,937	$11,045	$11,670	$12,200	$12,897	$13,473
Percentage increase	---	3%	11%	5%	5%	5%	6.5%
Breakdown by fund type							
Unrestricted	$7,527	$7,781	$8,220	$8,662	$9,087	$9,604	$10,360
Restricted	2,120	2,156	2,825	3,008	3,113	3,293	3,413

Exhibit 1.1b
Operating Budget and Long-Range Plan
Peoples College

Expenditures and Mandatory Transfers by Function (In thousands)

	Actual 1978-79	Projection 1979-80	Proposed budget 1980-81	Plan 1981-82	Plan 1982-83	Plan 1983-84	Plan 1984-85
Educational and general							
Instruction	$4,155	$4,315	$4,930	$5,181	$5,331	$5,600	$5,790
Research	106	110	190	200	210	220	220
Public service	83	80	95	100	102	105	105
Academic support	830	860	960	1,020	1,065	1,115	1,160
Student service	820	850	952	1,000	1,060	1,110	1,153
Institutional support	846	850	945	998	1,055	1,110	1,150
Operation and maintenance	997	1,029	1,162	1,225	1,275	1,338	1,385
Scholarships	150	160	170	180	190	200	210
Mandatory transfers	263	263	281	301	322	345	369
Subtotal	8,310	8,577	9,685	10,205	10,610	11,143	11,542
Auxiliary enterprises	1,284	1,376	1,472	1,576	1,692	1,811	1,882
Total	$9,594	$9,953	$11,157	$11,781	$12,302	$12,954	$13,424
Percentage increase	—	3.7%	12.1%	5.6%	4.4%	5.3%	3.6%
Increase (decrease) of net revenues	53	(16)	(112)	(111)	(102)	(57)	49

Exhibit 1.1c
Operating Budget and Long-Range Plan
Peoples College

Expenditures and Mandatory Transfers by Object (In thousands)

	Actual 1978-79	Projection 1979-80	Proposed budget 1980-81	Plan 1981-82	Plan 1982-83	Plan 1983-84	Plan 1984-85
Educational and general							
Personnel							
Faculty salaries	$2,580	$2,640	$3,010	$3,160	$3,270	$3,430	$3,555
Other salaries and wages	1,268	1,280	1,290	1,305	1,340	1,390	1,440
Personnel benefits	539	548	597	622	647	688	699
Services	1,930	2,120	2,335	2,570	2,825	3,110	3,420
Supplies	1,185	1,220	1,394	1,597	1,536	1,490	1,349
Other current charges	385	410	460	470	480	490	500
Scholarships and fellowships	150	160	170	180	190	200	210
Mandatory transfers	263	282	281	301	322	345	369
Subtotal	8,310	8,577	9,685	10,205	10,610	11,143	11,542
Auxiliary enterprises	1,284	1,376	1,472	1,576	1,692	1,811	1,882
Total	$9,594	$9,953	$11,157	$11,781	$12,302	$12,954	$13,424
Percentage increase	—	3.7%	12.1%	5.6%	4.4%	5.3%	3.6%

Exhibit 1.1d
Operating Budget and Long-Range Plan
Peoples College

General Information

	Actual 1978-79	Projection 1979-80	Proposed budget 1980-81	Plan 1981-82	Plan 1982-83	Plan 1983-84	Plan 1984-85
Students and faculty							
Tuition	$2,900	$3,000	$3,200	$3,500	$3,800	$4,000	$4,200
FTE students	1,800	1,780	1,750	1,677	1,670	1,614	1,675
FTE faculty	118	118	116	111	105	100	98
Student/faculty ratio	15:1	15:1	15:1	15:1	16:1	16:1	17:1
Number of students receiving aid	825	850	875	900	925	950	975
Average aid award per FTE student receiving aid	$800	$800	$800	$850	$850	$850	$850
Faculty compensation (in thousands)	$2,580	$2,640	$3,010	$3,160	$3,270	$3,430	$3,555
Average faculty compensation	$20,130	$22,370	$25,950	$28,470	$31,140	$34,300	$36,270
Percentage increase	—	10	16	10	9	10	6
Staff							
FTE professional and administrative	20	20	20	19	18	18	18
FTE clerical	42	42	43	43	43	43	43
FTE other	22	22	18	17	17	16	15
FTE student employees	44	51	46	48	47	44	44
Total staff salaries (in thousands)	$1,268	$1,280	$1,290	$1,305	$1,340	$1,390	$1,440
Average staff salaries							
Professional and administrative	$17,500	$18,000	$19,000	$19,700	$21,000	$22,500	$23,800
Clerical	$12,000	$12,500	$13,200	$13,700	$14,200	$14,800	$15,500
Other	$14,000	$15,000	$16,000	$16,700	$17,400	$18,500	$19,500
Students	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200	$1,200
Endowment and quasi-endowment							
Market value (in thousands)	$33,350	$34,517	$36,930	$39,514	$42,278	$45,237	$48,404
Yield on market value	5%	5%	5%	5%	5%	5%	5%
Private gifts (in thousands)	$860	$875	$1,000	$1,100	$1,109	$1,151	$1,169
Federal grants and contracts (in thousands)	$520	$575	$635	$674	$845	$880	$870
Plant and equipment							
Book value (in thousands)	$41,800	$42,000	$42,500	$43,100	$43,600	$44,400	$45,000
Square feet	380,000	380,000	380,000	380,000	380,000	380,000	380,000

Exhibit 1.2
Budget Projection—Revenues
Peoples College

(Dollars in thousands)

Sources	Projection and rate	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Total
Tuition	1,250 FTE @ $2.5	$50*	—	$1,600	—	—	—	—	$1,525	—	—	—	$60*	$3,235
Fees	600 FTE @ $.1	—	—	30	—	—	—	—	30	—	—	—	—	60
Endowment income	$1,500 @ 5%	7.5	$5	5	$7.5	$5	$5	$7.5	5	$5	$7.5	$5	10	75
Government grants		—	—	10	—	—	15	—	—	10	—	—	10	45
Private gifts and grants		5	5	10	5	10	50	10	20	10	10	50	15	200
Sales and services of educational activities		—	—	10	—	—	—	10	1	1	1	1	1	25
Other sources		1	—	1	—	1	—	1	—	1	—	1	—	6
Sales and services of auxiliary enterprises		5	2	350	10	10	5	10	350	10	15	10	3	780
Total		$68.5	$12	$2,016	$22.5	$26	$75	$38.5	$1,931	$37	$33.5	$87	$99	$4,426

*Summer school

semester. The bulk of the receipts is anticipated in two months—in September, when students first enroll, and again in February, when students enroll for the second semester. At a rate of $1,250 per semester for 1,250 students, the total income from regular tuition for the year is $3,125,000. Estimated summer school tuition of $110,000 is added, for a total tuition figure for the year of $3,235,000.

Fees likewise are generally collected in the fall and at the beginning of the second semester. These fees are then budgeted in two months—September and February.

Endowment income is projected based on a number of factors. A portion of the endowment income is derived from stocks and bonds. Assuming an estimated rate of return for the year, total yield from these assets can be projected. Dividend and interest-due dates are known; therefore, an accurate projection of income from endowment can be determined.

With respect to revenue from real estate or other sources, it is not always possible to accurately predict either the date on which income will be received or the amount. However, a reasonable approximation based on historical data is possible.

Private gifts and grants are amounts an institution expects to receive during the year. Care should be used in estimating, as any serious over- or underestimation will affect short-term operations. The development office should prepare a projection of unrestricted gifts based on historical data. Revenue from some sources, such as regular gifts from churches or other supporting agencies, is predictable.

Sales and services of auxiliary enterprises provide revenue that should be estimated on the basis of existing activities and historical data. Such factors as capacity of on-campus housing, vacancy rates, and normal spring semester declines are analyzed. Food service revenue is also projected, based on housing, cash sales, and summer program. Bookstore sales can be estimated on the dollar volume for the anticipated FTE student enrollment, including that for the summer program.

Other sources include such items as short-term investment income, which should be highlighted if it is significant.

Care should be taken to make notes of the kinds of revenue anticipated. At the end of the year, when the revenue budget is reviewed, detailed notes on revenue will highlight items that were not specifically anticipated. It will also be possible from these detailed notes to judge whether such items will recur and hence whether they should be included in future projections.

Exhibit 1.3 illustrates the monthly analysis of *expenditures*, which include some items that can be projected with reasonable accuracy and others that must be projected on the basis of previous experience and specific organizational plans. Since contracts are normally entered into annually for faculty and staff, salaries and wages are known in advance of the fiscal year. A projection of the total compensation to which the institution is committed for the fiscal year may be made. After the method of payment has been decided, a schedule of cash outlays may be determined.

More difficult to anticipate are the dates for payments arising from other expenditures. Using past expenditures as a basis, new activities and major expenditures should be projected, along with estimates for normal line-item expenditures.

Some expenditures may be estimated. Large known or anticipated amounts for a single purpose may be separated so that predictions will be as accurate as possible. For instance, debt service amounts and dates are known and may be projected accurately; it is then reasonable to separate debt service as a single reportable item.

Exhibit 1.3
Budget Projection—Expenditures
Peoples College

(Dollars in thousands)

	Basis (number of months)	Total annual salary	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
Salaries															
James Thomas	12	$12.6	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$1.05	$12.6
Thomas James	10	15	—	—	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	15
(other)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total salaries			$150	$150	$173	$173	$173	$173	$173	$173	$173	$173	$173	$171	$2,028
Other expenditures															
Instruction			—	$80	$100	$40	$20	$20	$80	$120	$80	$80	$30	$10	$800
Research			—	—	—	30	2	3	—	30	3	4	—	—	72
Academic support			—	2	40	10	10	10	10	30	10	10	10	10	152
Student services			—	10	30	20	20	10	12	30	20	20	20	8	200
Institutional support			$4	4	5	4	4	4	5	4	4	4	4	4	50
Operation and maintenance			30	35	25	25	20	15	15	30	25	25	25	30	300
Scholarships and fellowships			—	—	150	—	—	—	145	—	—	—	—	5	300
Mandatory transfers			—	—	5	24	—	—	—	5	—	24	—	—	58
Auxiliary enterprises			35	35	75	80	78	55	52	70	50	40	40	30	440
Total salaries and other expenditures			$219	$296	$803	$406	$327	$290	$472	$492	$365	$360	$302	$268	$4,400

*For purposes of this illustration, it is assumed that there are no accounts payable and that cash outflow is coincidental with expenditures.

Operating Reports

Exhibits 1.4-1.18 illustrate reports that internal managers may find useful in documenting revenues and expenditures during the fiscal year.

Statement of Operations and Variance Analysis

The material included in exhibits 1.2 and 1.3 may be used to develop the statement of operations and variance analysis shown in exhibit 1.4. Institutions beginning their fiscal year on July 1 do not normally prepare this report during the months of July and August. Figures for those months are generally meaningless and, because of the limited information available, may be based on inadequate student enrollment figures. Starting with the month of September, the budgeted column is taken from the September projections and the year-to-date columns are an accumulation of figures for July, August, and September. Actual and budgeted revenues and expenditures are posted to the appropriate columns; that is, the current month's actual and budgeted amounts, or (as in the example shown in exhibit 1.4) the first quarter's actual and budgeted amounts, are shown by source for revenues and by function for expenditures. The anticipated budget for July, August, and September is the result of carefully determining those amounts that should be received and expended in those months; the figure is not simply one-fourth of the total year's budget. Figures on this report should be kept in thousands of dollars, since carrying them to the nearest dollar provides unnecessary detail and detracts from the purpose of the analysis. Conciseness insures that the report highlights only information meaningful to users.

Variance is the difference between planned and actual performance. In exhibit 1.4, the variance is the difference between budgeted and actual revenues in the year-to-date column and the anticipated year-end column. Any significant variations should be explained in a separate narrative statement. Thus, if the tuition and fee revenue budgeted through September is $1,680,000 and the actual revenue from tuition and fees through September as taken from the accounting records totals $1,730,000, a statement should be made explaining the source of the additional income.

Exhibit 1.4
Statement of Operations and Variance Analysis
Three Months Ended September 30, 1979
Peoples College

(Dollars in thousands)

	July 1-Sept. 30		Year 1979-80		
	Budget	Actual	Budget	Current estimate	Variance
Revenues					
Tuition and fees	$1,680	$1,730	$3,295	$3,395	$100 (A)
Endowment income	17	17	75	75	
Federal grants and contracts	10	10	45	45	
Private gifts, grants, and contracts	20	25	200	200	
Sales and services of educational activities	10	10	25	25	
Other	2	1	6	5	(1)
Subtotal	1,739	1,793	3,646	3,745	99
Expenditures (educational and general)					
Instruction	180	190	2,300	2,370	70 (B)
Research	—	—	72	92	20 (C)
Academic support	42	40	300	300	
Student services	40	42	200	202	2
Institutional support	13	15	50	50	
Operation and maintenance	90	100	400	398	(2)
Scholarships and fellowships	150	160	390	395	5 (D)
Mandatory transfers					
Principal and interest	—	—	48	48	
Loan fund matching	5	5	10	10	
Subtotal	500	552	3,760	3,855	95
Total educational and general	1,239	1,241	(114)	(110)	4
Auxiliary enterprises					
Residence halls					
Revenue	120	134	280	308	28 (E)
Expenditures	17	23	232	243	11
Net revenue	103	111	48	65	17
Food service					
Revenue	187	207	400	440	40 (E)
Expenditures	85	100	320	352	32
Net revenue	102	107	80	88	8
Bookstore					
Revenue	50	53	100	105	5 (E)
Expenditures	43	45	88	92	4
Net revenue	7	8	12	13	1
Total auxiliary enterprises (net)	212	226	140	166	26 (E)
Excess of revenues over expenditures and mandatory transfers	1,451	1,467	26	56	30

(A) Budgeted enrollment, 1,250 FTE; actual enrollment, 1,290 FTE.
(B) Anticipated additional expenditures as a result of increased enrollment.
(C) Reflects effect of prices of radioisotopes for irradiation research.
(D) More scholarships accepted than anticipated; an effect of increased enrollment.
(E) Additional residential students resulted in increased board, room, and bookstore revenues.

Such a statement would permit both managers and members of the governing board to assess the institution's current financial condition and thereby to determine whether or not a change in policy or operations is necessary. Variance analysis thus becomes a basis for planning and for making projections.

An institution's chief business officer must assess what constitutes a substantive variance requiring narrative explanation. Unfortunately, this can be defined neither by amount nor by any other specific guide. Under certain situations, for example, $1,000 may be a significant variance if it represents a number of offsetting items, some of which are significant to the overall operation of the institution.

Substantial variance between planned and actual performance requires explanation. Variance reporting should respond to the following questions:

- Does the variance suggest the need for a new policy?
- Is the variance a result of a managerial decision?
- Is corrective action necessary?

A variation that is a result of the correction of some previous error should be reported and included in the narrative statement for the month. The explanation may be keyed by using a letter in parentheses opposite the figure. In exhibit 1.4, for example, an (A) appears beside the variance for tuition and fees.

In addition to the current month and year-to-date reporting, new estimates of revenues and expenditures for the fiscal year are compared with the original budgeted revenues and expenditures. The derived variance then represents the difference between the initial fiscal year forecast and revised estimates. In exhibit 1.4, the September 30 tuition and fees are thus $50,000 over the original estimate; revised fiscal year budget estimates therefore show an anticipated positive variance of $100,000 for the year. Following this method through all of the revenue sources and expenditure functions enables governing board members to obtain a current picture of operations at monthly intervals, quarterly intervals, or both.

Exhibit 1.5a
Summary of Budget Changes
Year 1980-1981
Peoples College

(Dollars in thousands)

	Original budget as of May, 1980	Approved amendments	Budget authorized as of Oct. 1980	Requested amendments	Total budget
Revenue					
Unrestricted					
Tuition and fees	$3,295	$100	$3,395		
Endowment income	75		75		
Sales and services of educational activities	25		25		
Other					
Auxiliary enterprises	780	73	853		
Subtotal	4,175	173	4,348		
Restricted					
Private gifts and grants	200		200		
Federal grants and contracts	45		45		
Other	6	(1)	5		
Subtotal	251	(1)	250		
Total revenue	4,426	172	4,598		
Expenditures and mandatory transfers (educational and general)					
Unrestricted	2,300	70	2,370		
Instruction	72	20	92		
Research	300		300		
Academic support	200	2	202		
Student services	400	(2)	398		
Operation and maintenance	380	5	385		
Scholarships and fellowships					
Other					
Mandatory transfers					
Subtotal					
Restricted					
Instruction and research					
Operation and maintenance					
Scholarships and fellowships					
Other					
Subtotal					
Total educational and general expenditures and mandatory transfers					
Excess (deficit)					
Auxiliary enterprises—revenue					
Auxiliary enterprises—expenditures and mandatory transfers					
Excess (deficit)					

Summary of Approved Budget

As suggested, the budget variances should be reported periodically in order to permit the governing board to take necessary action. Exhibit 1.5a is a suggested means of summarizing budget changes for the governing board. This summary of budget changes should be presented at normal periodic meetings of the board, unless unusual circumstances require a special meeting for authorization of a change.

Exhibits 1.4 and 1.5a provide control by informing administrators and governing board members of the need for changes in the budget as the year progresses. The original budget in exhibit 1.5a anticipated tuition and fees to total $3,295,000 for the year. This amount is recorded, together with the revised total of $3,395,000. The governing board should authorize a budget change that reflects this new information.

Reporting all current and significant changes through a budget analysis provides a means of open communication and creates a sense of fiscal responsibility. Exhibit 1.5a assumes that the original budget has been amended by the governing board. Future changes requested should be placed in the "requested amendments" column. A brief narrative statement should be attached to indicate the reason for each change requested. Such an explanation leaves a clear trail for future accounting, budgeting, and auditing requirements. Exhibits 1.5b and 1.5c are suggested as an internal means of obtaining approval and authorization for budget changes. A summary of these changes would become the basis for the amendments column in exhibit 1.5a.

These, then, are the financial reports needed by governing boards and institutional managers. These reports and the ones that follow are intended to function as an early warning system for an institution, as well as to provide an analytical basis for policy or procedural changes. If similar institutions exist in the same geographical area, the information derived from these reports may be shared for mutual benefit. When properly made, comparisons are useful in analyzing an institution's operational patterns and in preparing budgets.

Exhibit 1.5b
Request for Budget Revision
Peoples College

Date _____

To the controller:

I request that the budget of _____
Name of department or office

be amended as follows:

Budget account number	_____	_____
Present budget	$_____	$_____
Increase requested	_____	_____
Decrease suggested	_____	_____
Revised budget total	$_____	$_____

The reasons for revision follow: (Explain fully. Attach sheet if necessary.)

Signed _____
Authorized signature

Recommend approval for revision:

	Yes	No	Date
President	____	____	____
Provost	____	____	____
Dean of college	____	____	____
Vice-president for business affairs	____	____	____
Dean of students	____	____	____
Director of development	____	____	____

(For controller's use)

Notification sent to:	Date
Budget administrator ____	____
Director of purchasing ____	____
_____ ____	____
Accounting ____	____

White: Divisional administrator
Yellow: Originating department

Exhibit 1.5c
Budget Change Request
Peoples College
(Dollars in thousands)

	Current budget	Request	Increase (decrease)
Operation and maintenance—janitors' salaries	$15	$18	$3
Operation and maintenance—supplies and expenses	24	19	5
Net change	39	37	(2)

Requested by _____
Department head

Approved _____
Vice-president for business affairs

Authorized _____
President

Cash Flow

Managers must project an institution's cash resources in order to effectively plan payments to cover the institution's commitments, as well as to plan wise investment of its short-term funds. Exhibit 1.6 summarizes information about cash flow projections. It shows amounts on a cash basis rather than on the accrual basis used in exhibit 1.2.

Tuition and fee amounts shown in exhibit 1.6 are projections of anticipated payments of tuition and fees, which are largely determined by institutional policy on payment dates and amounts.

Endowment income may be predicted accurately on the basis of past earnings, with allowance for additional gifts and for market conditions.

Government grants may be anticipated on the basis of current or anticipated grants, proposals outstanding, and changing government priorities.

Private gifts and grants may be predicted on the basis of past data, appraisal of current institutional plans, and assessment of the probability of new gifts and grants.

Sales and services depend on past performance and on anticipated changes. Dates for the bulk of the cash received will coincide with registration periods.

Cash expenditures should be taken from exhibit 1.3, since projections of salaries and other expenses must be estimated.

The cash balance may then be projected at the end of each period, providing an estimate of the amount available for investment or (if a deficit) the amount that must be borrowed. A cash flow projection for the year is thus a useful management report.

Issues involving the institution's policies may arise as a result of the information provided by the cash flow projections in exhibit 1.6. Such issues might include the need to change the policy on tuition payment or the kinds of payments being made during the summer.

Daily Cash Flow

The cash flow summary by month in exhibit 1.6 aids in managing working capital. An additional requirement is the need to control the daily flow of cash. Exhibit 1.7 shows one method of summarizing the daily cash flow. Opposite each day of the month, that day's bank balance is entered. This figure may be obtained by periodically calling the bank or by recording the information from the bank statement at the end of the month.

Deposits separated according to tuition and fees, gifts, and other sources provide an historical record for subsequent use in both budget and cash flow projections (exhibits 1.2 and 1.6). Investments made (outflow of cash) and investments matured (available cash) should be recorded separately in order to assist with future planning and projections.

Two separate columns are shown for cash expenditures. One is for all payroll expenditures; the other shows checks drawn for all other operating expenses. An analysis of dates when checks are drawn and their subsequent clearance through the bank account is thus possible.

Exhibit 1.7 therefore performs the following functions:

- Provides a comparison of book and bank balance representing the "float" necessary for proper deployment of cash.
- Offers a more complete understanding of each item of revenue and expenditure.
- Serves as a basis for future projections of revenues and expenditures.

Leonard H. Haag's *Cash Management & Short-Term Investments for Colleges and Universities*, published by the National Association of College and University Business Officers, is a useful reference on this subject.

Exhibit 1.6
Cash Flow Projections
Peoples College
(Dollars in thousands)

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Total
Revenue sources													
Tuition and fees	$55	$25	$1,015	$205	$205	$205	—	$1,015	$230	$205	$105	$30	$3,295
Endowment income	7.5	5	5	7.5	5	5	$7.5	5	5	7.5	5	10	75
Government grants	—	—	20	—	—	10	—	—	5	—	—	10	45
Private gifts and grants	5	5	10	5	10	50	10	20	10	10	50	15	200
Sales and services of educational activities	—	—	10	—	—	—	10	1	1	1	1	1	25
Other sources	1	—	1	—	1	—	1	—	1	—	—	1	6
Sales and services of auxiliary enterprises	5	2	200	60	60	55	10	200	60	65	60	3	780
Total receipts	73.5	37	1,261	277.5	281	325	38.5	1,241	312	288.5	221	70	4,426
Beginning balance	(11.5)	(157)	(416)	242	113.5	67.5	102.5	(331)	418	365	293.5	212.5	(11.5)
Total available	62	(120)	845	519.5	394.5	392.5	141	910	730	653.5	514.5	282.5	4,414.5
Cash expenditures (exhibit 1.3)	219	296	603	406	327	290	472	492	365	380	302	268	4,400
Ending balance	($157)	($416)	$242	$113.5	$67.5	$102.5	($331)	$418	$365	$293.5	$212.5	$14.5	$14.5
	(A)	(A)	(B)	(B)	(B)	(B)	(A)	(B)	(B)	(B)	(B)	(B)	

(A) Indicates need for short-term bank loan
(B) Indicates short-term investment opportunities

Exhibit 1.7
Cash Flow Statement for the Month of October 19 ___
Peoples College

(Dollars in thousands)

Day	Bank balance	Deposits			Investments made	Investments matured	Payroll	Other operating expenses	General ledger balance
		Tuition and fees	Gifts	Other					
	$550					$500			$555
1	54	$25	$3	$1	$500			$33	51
2	22	5		1				38	19
3	20							17	2
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

Admissions and Recruiting

Because colleges and universities depend on a steady inflow of students in order to maintain themselves as "going concerns," the area with the greatest effect on tuition revenue is admissions. Questions that may arise concerning admissions and recruiting and their effects include:

- What is the history of inquiries on prospective enrollment? Are inquiries rising, remaining the same, or declining? What reasons may be given for a decline or stabilization in the number of inquiries?
- How has the number of applications received in the present year changed from the previous year, and what does this mean? Does the institution have an early decision policy? If so, how do total acceptances, applications, and inquiries relate to those of previous years?
- Is the rejection rate increasing, decreasing, or remaining the same?

Data on the history of inquiries may be gathered and summarized in exhibit 1.8, which shows the current year's accumulation of inquiries by month, as well as totals for previous years.

To draw conclusions from these data, one must first look at possible explanations for increases or decreases in numbers of inquiries or applications. For example, an institution might be perceived as maintaining such exceptional academic standards that a student having low entrance credentials would be reluctant to make an inquiry. Numbers should thus be taken in perspective. Delineation of reasons for increases or decreases requires extrapolation beyond recording of data, but exhibit 1.8 displays statistics so that trends are readily apparent.

Considering only the number of applications for admission may mask basic information. Attention should be directed both to the number of applications received and to the number of applications taken as a percentage of the number of inquiries made. Each of these items should be viewed in terms of other items in the admissions process to reveal factors influencing both application and admission rates.

Exhibit 1.8
Admissions Data

Month	Inquiries	Applications received	Acceptances	Rejections	Pending
September					
October					
November					
December					
January					
February					
March					
April					
May					
June					
July					
August					
Total					

Totals to date	Inquiries	Applications received	Acceptances	Rejections	Pending
Year 1					
Year 2					
Year 3					

Year	Actual enrollment
Current	
Last	
Previous	
Previous	
Previous	

Exhibit 1.9
Admissions Statistics

	This year As of June 1, 19___ Inquiries received _____					Last year As of June 1, 19___ Inquiries received _____				
	Applications received	Applicants accepted	Applicants matriculated	Net	Advance deposit	Applications received	Applicants accepted	Applicants matriculated	Net	Advance deposit
Freshmen men										
Commuter										
Residential										
Total										
Freshmen women										
Commuter										
Residential										
Total										
Transfer men										
Commuter										
Residential										
Total										
Transfer women										
Commuter										
Residential										
Total										
Readmitted men										
Commuter										
Residential										
Total										
Readmitted women										
Commuter										
Residential										
Total										
Grand total										

Such admissions data are shown in exhibit 1.9. The following figures are of particular importance:

- The number of applications for admission received, taken as a percentage of the number of inquiries made.
- The number of applicants accepted.
- The number of accepted applicants who matriculate.

These figures should reveal areas requiring further analysis, which may suggest alternative admissions policies.

Exhibit 1.9 may also draw attention to other areas that need attention from management by disclosing numbers of freshman transfer and readmitted men and women who commute and who reside on campus. Some questions may undoubtedly be answered quickly through the use of this report, while the process of answering others will be more involved.

If an institution seeks to attract certain kinds of students, desired qualifications should be broken down for analytical purposes. If, for example, the institution wants to attract students from a wide geographical area, the geographical distribution should be analyzed so that corrective action may be taken quickly if the desired spread is not achieved.

Exhibit 1.10 shows student retention data, which may be helpful in determining necessary recruiting and admissions efforts.

Exhibit 1.10
Environmental Assumptions (Historical Data)
Peoples College

Student Retention

	Percentage of freshman students at Peoples College who return as:		
Class of	Sophomores	Juniors	Seniors
1976-77	74.6	59.4	40.3
1977-78	80.0	62.4	40.3
1978-79	78.0	64.1	39.3
1979-80	75.1	63.3	36.4
1980-81	81.6	60.0	—
1981-82	79.1	—	—

Student Fees

Year	Tuition	Percentage increase	Cost of living increase
1975-76	$ 2,400	6%	7%
1976-77	2,600	7.7%	9%
1977-78	2,700	3.8%	11%
1978-79	2,900	7.4%	13%

Selectivity of Admissions Policy

Year	Applied (A)	Admitted (B)	Matriculated (C)	(B/A)	(C/B)
1974-75	1,311	1,183	589	76	49
1975-76	1,884	1,078	636	84	59
1976-77	1,430	1,173	646	82	55
1977-78	1,322	1,150	621	87	54

Supporting statistical data depend in large part on the environmental assumptions selected for emphasis. Additional items might include:

- *Public versus independent tuition.*
- *AAUP salary information.*
- *Tenured/nontenured faculty ratio.*
- *Expenditures per student.*
- *Public versus independent enrollments.*

Financial Aid

Financial aid is one of the most difficult areas of the budget to forecast. This is particularly true for independent institutions, which earmark a substantial portion of their own funds for student aid. Financial aid and admissions offices generally overcommit moneys for financial aid in the spring on the assumption that the financial aid amounts finally accepted by students by the beginning of the academic year will be close to the budgeted amount. Ways must be devised to estimate the funds that students will ultimately use; combining several numbers may assist in developing meaningful data and providing meaningful estimates. Exhibit 1.11 illustrates such a chart, while exhibits 1.12 and 1.13 show how financial aid is awarded during the year.

Exhibit 1.11
Institutional Scholarships*

	Offered		Accepted		Declined		Cumulative total for year	
Month	Number	Amount	Number	Amount	Number	Amount	Number	Amount
September								
October								
November								
December								
January								
February								
March								
April								
May								
June								
July								
August								
Total								
Actually enrolled								

* Separate form should be used for SEOG, NDSL, CWS.

Exhibit 1.12
Student Financial Aid from College Funds

Month or year	Committed	Accepted	College funds for work-study accepted	Total accepted
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
Total				
Prior year 1				
Prior year 2				
Prior year 3				
Prior year 4				

Exhibit 1.13
Summary of Student Financial Aid by Sources of Funds

	Institutional funds		NDSL		College work-study		SEOG		Total	
	Commit	Accept	Commit	Accept	Commit	Accept	Commit	Accept	Commit	Accept
September										
October										
November										
December										
January										
February										
March										
April										
May										
June										
July										
August										
Total										

Development

The development program should be analyzed each month to indicate the amount of funds available and to highlight trends. The development report should indicate the months in which gifts are received, making possible a periodic reassessment of goals. More importantly, this analysis permits both the development and business offices to make comparisons from year to year about the fund-raising program and cash flow forecast. Exhibits 1.14 and 1.15 may be used to develop meaningful statistical bases.

Gifts have an important effect on institutional revenue. Certain funds, such as donations from a supporting religious denomination, should be detailed and projected so that an historical basis for estimates may be developed. In addition, analyzing total gifts by other large constituent groups presents information on the relative fund-raising success for each group.

A daily transmittal sheet of gifts received by the institution (exhibit 1.14) is a good communication link, keeping administrators outside the business and development offices informed of gifts received and alerting them to the patterns of support for the institution.

Exhibit 1.15 also provides important cumulative information on specific types of donors. In addition to providing cumulative gift information by source and purpose, it provides a basis for monitoring unrestricted gift revenue. The development office should project its anticipated receipts monthly, quarterly, or both, for better cash management and budget purposes (see exhibits 1.2 and 1.6). Actual receipts are then compared with the anticipated amounts to determine a positive or negative variance. Analysis, by source, will alert the development office and governing board that further action may be necessary.

Auxiliary Enterprises

The business officer is normally responsible for the operation of auxiliary enterprises. Exhibits 1.16-1.19b show reports on bookstore, housing, food service, and total auxiliary enterprise operations. The process used in reviewing these may be used to develop methods to review other auxiliary enterprises.

Exhibit 1.14
Daily Transmittal Sheet
Development Program, Peoples College

Date: September ___, 19____

Account number	Donor	Receipt number and acknowledgement	Gift amount				Total received F/Y to date this donor
			Unrestricted	Restricted			
				Endowment	Plant	Other	
1-11-00-431	John Jones 123 Main Street Los Angeles, CA 90007	02107 Acknowledged	$100.00				$200.00
2-30-40-431	First Church 101 Elm Street Springfield, Ill.	02108 Acknowledged		$200.00			200.00
1-11-00-431	Acme Foundation Cleveland, Ohio	02109 Acknowledged	1,500.00				1,500.00
6-00-00-431	Mr. and Mrs. Richard Smith 2010 Fourteenth St., N.W. Dallas, Texas 35101	02110 Acknowledged			$1,000.00		1,500.00
Total received today			$1,600.00	$200.00	$1,000.00	$ —	
Previously received this year			340,000.00	10,800.00	110,000.00	17,000.00	
Total to date this year			341,600.00	11,000.00	111,000.00	17,000.00	
Total this date last year			410,000.00	9,000.00	14,000.00	8,000.00	

Distribution: President _____
Business office _____

Exhibit 1.15
Summary Report
Development Program

For the period ____ months ended _____, 19 ____

Source	Unrestricted				Restricted						Total	
					Current fund		Endowment and loan fund		Plant fund			
	19 __ - __ goal	Anticipated this period	Received this period	Variance over (under)	Received this period	Received last year (same period)	Received this period	Received last year (same period)	Received this period	Received last year (same period)	Received this period	Received last year (same period)
Churches												
National												
Regional												
Local												
Alumni												
Parents												
Governing board												
Faculty and staff												
Friends												
Bequests and memorials												
Corporations												
Foundations												
Clubs and organizations												
Other												
Total												

Exhibit 1.16
Comparative Income Statement
Bookstore, Peoples College

(Dollars in thousands)

	9 months ended 3/31/80				9 months ended 3/31/79				Increase (decrease)		
			Gross margin				Gross margin				
	Sales	Cost of sales	Dollars	Percentage	Sales	Cost of sales	Dollars	Percentage	Sales	Cost of sales	Gross margin
Revenue and cost of sales											
Books	$954	$784	$170	17.8%	$860	$694	$166	19.3%	$94	$90	$4
Supplies	369	252	117	31.7	291	218	73	25.1	78	34	44
Novelties	110	80	30	27.3	105	70	35	33.3	5	10	(5)
Rental equipment	24	19	5	20.8	10	6	4	40.0	14	13	1
Toiletries and sundries	115	99	16	13.9	103	85	18	17.5	12	14	(2)
Other	3	1	2	66.7	3	1	2	66.7	—	—	—
	$1,575	$1,235	340	21.6%	$1,372	$1,074	298	21.7%	$203	$161	42
Operating expenses and percentage of sales	100%	78.4%		Percentage of sales	100%	78.3%		Percentage of sales			
Salaries and wages			215	13.7%			206	15.0%			9
Operating expense			75	4.8			51	3.7			24
Building expense			16	1.0			15	1.1			1
Total operating expense			306	19.5			272	19.8			
Net operating income			34	2.1			26	1.9			8
Debt service			10	0.6			10	0.7			—
Net income			24	0.6			16	1.2			8
Provision for renewals and replacements			14	0.8			—				
Provision for obsolete inventory			—				35	2.6			
Adjusted income (loss)			$10	0.6%			($19)	(1.4%)			$29

Exhibit 1.17
Comparative Income Statement
Six Months Ended December 31, 1980 and 1979
Housing, Peoples College

(Dollars in thousands)

	Actual							
	Apha Hall	Beta Hall	Delta Hall	Total	Estimated	Variance	Actual six months previous year	Percentage change from previous year
Revenue								
Academic year	$220	$148	$172	$540	$524	$16(A)	$482	
Summer rentals	10	2	8	[illegible]	22	(2)	18	
Total	$230	$150	$180	$560	$546	$14	$500	+12%
Expenditures and mandatory transfers								
Salaries and wages	$70	$30	$40	$140	$135	$5(B)	$130	
Supplies and expenses	25	10	10	45	42	3	40	
Utilities	40	20	20	80	75	5(C)	70	
Repair and maintenance	5	10	10	25	28	(3)	30	
Administrative services	25	10	10	45	45	—	42	
Allocated expenses	25	10	15	50	55	(5)	43	
Mandatory transfers								
Interest	—	56	70	126	126	—	136	
Principal	—	18	22	40	40	—	30	
Total	$100	$164	$197	$551	$546	$5	$521	+5.8%
Net income	$40	($14)	($17)	$9	—	$9	($21)	
Number of residents	314	212	244	770				
Design capacity	340	250	290	880				
Occupancy rate	92%	85%	84%	88%				

(A) Higher than anticipated enrollment.
(B) Additional resident advisors required by higher than anticipated occupancy.
(C) An electrical rate increase of 8 percent was not forecast.

Exhibit 1.18
Comparative Income Statement
Six Months Ended December 31, 1980 and 1979
Food Services, Peoples College

(Dollars in thousands)

	Six months ended Dec. 31, 1980	Percentage of sales	Six months ended Dec. 31, 1979	Percentage of sales
Revenue				
Board	$470	90.4%	$455	92.0%
Cash sales	15	2.9	11	2.2
Coffee shop	25	4.8	24	4.8
Catering	10	1.9	5	1.0
Total	$520	100.0%	$495	100.0%
Expenditures				
Cost of food	$250	48.1%	$243	49.1%
Salaries and wages	145.6	28.0	144	29.1
Supplies and expenses	21	4.0	25	5.1
Equipment	25	4.8	10	2.0
Repairs and maintenance	11	2.1	5	1.0
Utilities	12	2.3	10.3	2.1
Allocated expenses	26	5.0	24.7	5.0
Administrative	10.4	2.0	10	2.0
Total	$501	96.3%	$472	95.4%
Gain (loss) on operations	$19	3.7%	$23	4.6%

Exhibit 1.19a
Projected Auxiliary Enterprise Income
Peoples College

(Dollars in thousands)

	1979-80	1980-81	1981-82	1982-83	1983-84
Residence halls					
Income	$1,295	$1,326	$1,341	$1,360	$1,375
Expense	– 825	– 891	– 961	– 1,039	– 1,128
Mandatory transfers					
Debt service	– 250	– 250	– 250	– 250	– 250
Renewals and replacements	– 70	– 70	– 70	– 70	– 70
Net	150	115	60	1	(73)
Food services					
Income	1,025	1,090	1,170	1,245	1,325
Expense	– 1,000	– 1,060	– 1,170	– 1,263	– 1,365
Net	25	10	—	(18)	(40)
Other services					
Income	80	84	89	95	100
Expense	– 75	– 79	– 84	– 88	– 92
Net	5	5	5	7	8
Total income	2,400	2,500	2,600	2,700	2,800
Total expense	1,900	2,050	2,215	2,390	2,585
Total mandatory transfers	320	320	320	320	320
Total expense and mandatory transfers	2,220	2,370	2,535	2,710	2,905
Net	180	130	65	(10)	(105)

Exhibit 1.19b
Other Auxiliary Enterprise Data
Peoples College

(Dollars in thousands)

	1979-80	1980-81	1981-82	1982-83	1983-84
Projected room rates	$850	$885	$910	$940	$965
Projected board rates	650	700	760	820	885
Total	$1,500	$1,585	$1,670	$1,760	$1,850
Percentage increase	—	5.7%	5.4%	5.4%	5.1%
Projected number of residents	1,525	1,500	1,475	1,450	1,425
Projected number of food service contracts	1,575	1,560	1,540	1,520	1,500
Projected design capacity	1,650	1,650	1,650	1,650	1,650
Projected occupancy rate	92%	91%	89%	88%	86%

Conclusion

Good decision making and fiscal control require adequate and timely information. The reports presented here should be helpful to business officers reviewing their financial reporting systems. Individuals at a particular institution should adapt these reports to meet the needs of their institution.

Meaningful reports are most often brief, simple, and easy to understand. Administrators are encouraged to experiment with the development of new reports as situations suggesting the need for a report arise; they should try to anticipate questions that will be asked and to design a framework for answers.

2 Accounting

Institutions of higher education must provide for the systematic accounting of financial transactions. The term "accounting" refers to the process used for recording, classifying, and summarizing financial transactions for use by an institution's governing board, its administrators, and other interested parties. Their financial information needs depend on the institution's specific educational mission and consequent "user groups"; hence, individual details of the accounting system used by an institution must meet the requirements of that institution.

There are, however, certain accounting principles for recording and reporting the financial transactions of colleges and universities; these are set forth in part 3 of *College and University Business Administration (CUBA)*, Third Edition (NACUBO, 1974), to which reference is made in this chapter. The reader should refer to that publication for explanation of the principles applied in the following pages; if there should be any differences between the practices recommended in that publication and those recommended in this manual, the provisions of the former should govern.

An institution's accounting system serves a number of general purposes, including the following:

- Providing information for budgeting and planning, thus enabling the institution to use the resources available to it most effectively.
- Providing financial information for control of institutional operations at various levels.
- Providing information for safeguarding and controlling assets.
- Facilitating the observance of restrictions applicable to certain resources.
- Promoting compliance with institutional policies on financial matters.
- Furnishing information used in preparing stewardship reports.

Unlike the accounting systems typically employed by industrial and commercial organizations, fund accounting principles have evolved from fiduciary responsibility; their primary purpose is to insure that financial resources are managed in fulfillment of the restrictions attached to them. Fund accounting allows for the separation of resources with externally restricted uses from resources with no restrictions on use. Since funds entrusted to an institution must often be used for a specific purpose (such as student financial aid, a new building, or a specific research project), the accounting system must be designed to record, classify, and report the status of each specific source of restricted funds. The description of a fund accounting system that follows meets the requirement of separating restricted funds while providing the information necessary for management reports.

Chart of Accounts and Coding Structure

A chart of accounts and related coding structure are essential to an accounting system. The chart provides the various categories used in classifying the financial transactions of an institution. Accordingly, the chart of accounts developed by a college or university should:

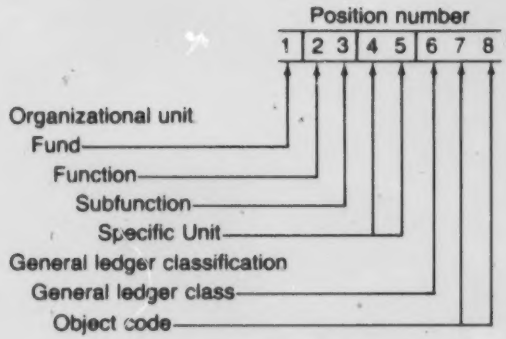
- Facilitate compliance with the accounting principles set forth in *College and University Business Administration*, Third Edition.
- Facilitate the compilation of financial information within the capabilities of the institution to meet the needs of both internal and external users of such information.
- Be compatible with the manual or automated means used to maintain the accounting system.
- Provide a clear understanding of the items to be included in each classification.

Consideration of these characteristics indicates the necessity for developing a chart of accounts tailored to the specific needs of the institution for which it is intended. However, a model chart of accounts with related procedures may serve as a starting point from which to develop a similar chart and set of procedures to meet an institution's particular requirements. The chart of accounts described in this manual is depicted graphically on page 26; the diagram is then repeated to emphasize different aspects of the coding structure.

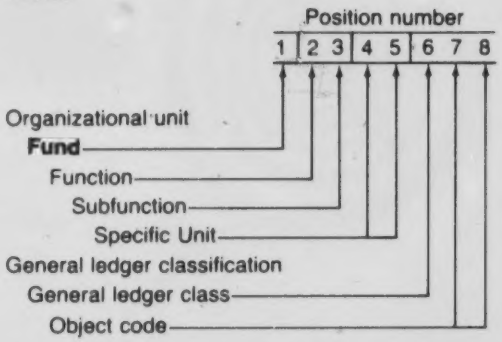
Although the coding structure presented with this chart is intended for use with electronic data processing equipment, it is appropriate for use with accounting systems maintained in less sophisticated ways.

Eight digits are used in the coding structure for the model chart of accounts. These digits are arranged as follows:

	Position number
1. Organizational unit	
a. Fund	1
b. Function	2
c. Subfunction	3
d. Specific unit	4 and 5
2. General ledger classification	
a. General ledger class	6
b. Object code	7 and 8



Funds



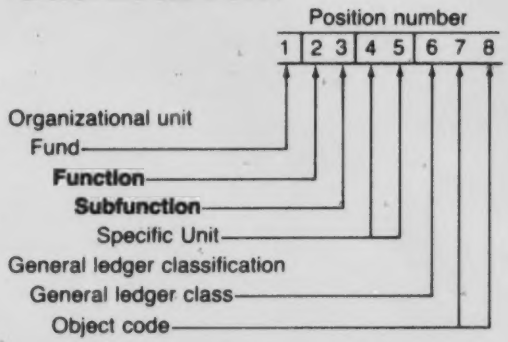
A fund is an accounting entity with a self-balancing set of accounts consisting of assets, liabilities, and a fund balance. Separate accounts are maintained for each fund to insure observance of limitations and restrictions placed on use of resources. For reporting, however, funds of similar characteristics are combined into fund groups. (See *CUBA*, page 178.)

In this manual, organizational units have been grouped by the activities they are to perform or objectives they are to attain. Consequently, the first digit of each organizational unit number will *always* be the code number of the fund through which it is financed.

Fund Groups and Codes (Position 1)

Fund code	Description
1	Current funds—unrestricted
2	Current funds—restricted
3	Endowment and similar funds
4	Loan funds
5	Annuity and life income funds
6	Plant funds
7	Agency funds

Function and Subfunction



A college or university is a complex organization composed of many units designed to accomplish different purposes or functions. To aid in the classification and analysis of financial information, the organizational units of each fund are grouped together according to the function they perform.

Function and Subfunction Groups and Codes (Positions 2 and 3)

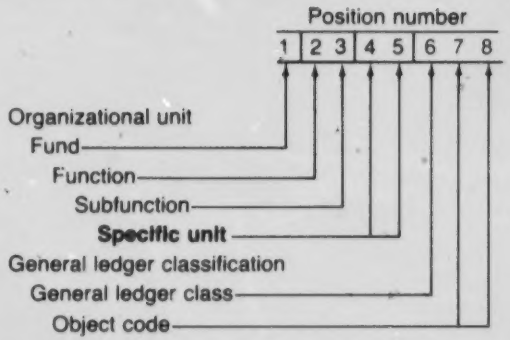
Function names and codes for educational and general support funds (*Current funds—unrestricted* and *Current funds— restricted*) are as follows:

Function code	Description
00	All noncurrent fund transactions
1X	Instruction
2X	Research
3X	Public service
4X	Academic support
5X	Student services
6X	Instructional support
7X	Operation and maintenance of plant
8X	Scholarships and fellowships
9X	Auxiliary enterprises
98	Transfers—mandatory
99	Transfers—nonmandatory

With the exception of the codes for transfers (98 and 99), only the second position digit refers to function. A zero in the third position digit indicates the absence of a subfunction code. Use of 98 and 99 for transfers is necessary for inclusion of all basic functions in this coding field; it is not meant to indicate that these are subfunctions of auxiliary enterprises.

Subfunction codes and descriptions have been developed to assist institutions in further classifying their activities consistently. When activities described in two or more subfunctions are performed by one administrative unit (such as counseling and student aid administration being handled by one office), the unit should be coded by the subfunction that describes its major effort.

Specific Unit



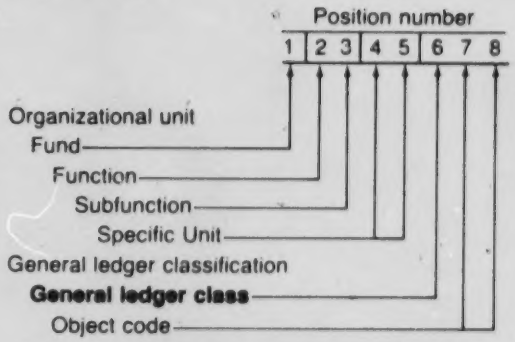
Each organizational unit or activity for which financial information is to be accumulated is assigned a specific unit code. When the fund number and function number are added to the specific unit number, a code number identifying each organizational unit is established, as in the examples that follow.

Specific Unit Groups and Codes (Positions 4 and 5)

1 1 0 – –	Instruction
1 1 1 1 0	Instruction—biological sciences
1 1	Instruction—biology
1 2	Instruction—botany
1 3	Instruction—zoology
1 4	Instruction—biochemistry
2 0	Instruction—business and commerce
2 1	Instruction—accounting
2 2	Instruction—management
3 0	Instruction—education
4 0	Instruction—English
5 0	Instruction—fine and applied arts
6 0	Instruction—foreign languages
7 0	Instruction—mathematics
8 0	Instruction—philosophy
9 0	Instruction—physical sciences
1 1 2 0 0	Instruction—psychology
1 1 2 3 0	Instruction—social sciences
1 1 3 0 0	Directed studies
1 1 4 0 0	Instruction—occupational noncredit courses
1 1 5 0 0	Instruction—avocational noncredit courses
1 2 1 – –	Research *Separately budgeted research projects should be assigned organizational unit numbers in this group.*
1 3 0 – –	Public service
1 0	Speakers bureau
2 0	Community cultural enrichment programs
3 0	Community use of college facilities
4 0	CLEP Regional Administration Program
1 4 0 – –	Academic support
1 4 1 – –	Learning resources
2 0	Audiovisual center
3 0	Library
4 0	Museum
5 0	Planetarium
1 4 4 – –	Instructional computing service *The cost of computer support to instructional departments should be included in this function. The last two digits of the instructional department could be added to 144 to complete the organizational unit number.*
1 4 5 – –	Ancilliary operations *These activities are concerned primarily with enhancing the institution's instructional program. Examples are providing guest speakers for the student body as a whole, or providing individual students with a career-related working situation, such as an automotive shop for training students in an automotive occupational program or a dental clinic associated with a dental hygiene program.*
1 4 6 – –	Academic administration
1 0	Dean of instruction
2 0	Coordinator of evening classes
3 0	Assistant dean of academic affairs
4 0	Continuing education administration
1 4 7 – –	Course and curriculum development
1 0	Staff and program development—courses and curriculum
1 4 8 – –	Professional personnel development
1 0	Staff and program development—sabbaticals
2 0	Staff and program development—summer study
3 0	Staff and program development—conferences and institutes

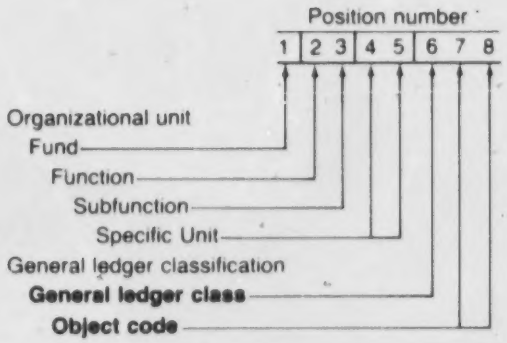
1 5 0 – –	Student services
1 5 1 – –	Social and cultural development
1 0	Director of student activities
2 0	Student government
3 0	Student newspaper
1 5 2 – –	Intercollegiate athletics
1 5 3 – –	Counseling and advising
1 0	Counseling and placement
2 0	Testing
3 0	Orientation
1 5 5 – –	Financial aid administration
1 0	Financial aid office
1 5 6 – –	Student records and admissions
1 0	Director of admissions
2 0	Registrar
3 0	Student I.D. cards
1 5 7 – –	Health services
1 0	Clinic
1 5 8 – –	Services for special students
1 0	Coordinator of program for deaf students
2 0	Veterans' advising and recruitment
1 5 9 – –	Student services administration
1 0	Dean of students
2 0	Dean of men
3 0	Dean of women
4 0	Assistant dean of student affairs
1 6 0 – –	Institutional support
1 6 1 – –	Executive management
1 0	President's office
2 0	Institutional research
3 0	Vice-president for (or dean of) academic affairs
4 0	Vice-president for (or dean of) business affairs
5 0	Vice-president for (or dean of) student affairs
6 0	Vice-president for (or director of) development
7 0	Legal expense
8 0	Governing board
1 6 2 – –	Fiscal operations
1 0	Accounting
2 0	Payroll
3 0	Internal auditing
1 6 3 – –	General administrative services
1 0	Personnel services
2 0	Organizational memberships
3 0	Administrative data processing
4 0	General expense
5 0	General insurance (other than property insurance)
1 6 4 – –	Logistical services
1 0	Purchasing
2 0	Unallocated communication expense
3 0	Service departments' unallocated expenses
4 0	Printing—general
1 6 7 – –	Public relations
1 6 8 – –	Development
1 7 0 – –	Operation and maintenance of plant
1 0	Supervision and planning
2 0	Grounds department
3 0	Custodial services
4 0	Maintenance services
5 0	Plant operational expense (including property insurance)
6 0	Campus security
1 8 0 – –	Scholarships and fellowships
1 0	Student fee waivers
2 0	Scholarships
1 9 0 – –	Auxiliary enterprises
1 9 8 – –	Transfers—mandatory
1 9 9 – –	Transfers—nonmandatory

General Ledger



The general ledger classification code illustrated here is used to indicate the type of transaction or account. This separate code is designed to describe transactions and accounts regardless of the fund in which they are used. For example, for furniture and equipment, expenditure account 710 may be used in such fund groups as *Current funds—unrestricted* (1XXXX) (710), *Current funds—restricted* (2XXXX) (710), or *Plant funds* (6XXXX) (710). The general ledger classes are as follows:

1—Assets
2—Liabilities
3—Appropriations, reserves, and fund balances
4—Revenue and receipts
5—Expenditures—personnel
6—Expenditures—current expenses
7—Expenditures—capital
8—Transfers



The accounts shown are intended to be illustrative, both for account titles and for funds in which transactions will be recorded. Institutions may use this chart as a guide in establishing their own chart of accounts, which may include more or fewer accounts than those shown here.

Assets

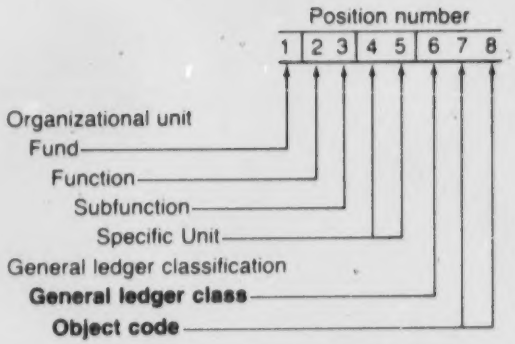
General ledger code	Description	Funds 1	2	3	4	5	6	7
101	Cash in banks	•	•	•	•	•	•	•
120	Returned checks	•						•
122	Petty cash	•						
13X	Accounts receivable	•	•		•			•
14X	Notes receivable	•			•			•
141	Allowance for doubtful accounts and notes	•	•		•			•
145	Prepaid expense	•					•	•
150	Deposits (refundable to institution)	•						
16X	Investments	•	•	•	•	•	•	•
17X	Merchandise inventory	•						
18X	Due from other funds	•	•	•				•
190	Land						•	
192	Buildings						•	
193	Improvements other than buildings						•	
194	Movable equipment						•	
196	Library resources						•	
197	Construction in progress						•	

Current funds—unrestricted 1
Current funds—restricted 2
Endowment and similar funds 3
Loan funds 4
Annuity and life income funds 5
Plant funds 6
Agency funds 7

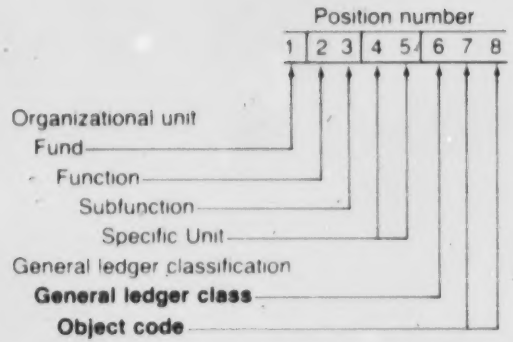
Liabilities

General ledger code	Description	Funds 1	2	3	4	5	6	7
211	Deposits held in custody for others							•
221	Federal income taxes payable	•	•					
222	FICA taxes payable	•	•					
223	Retirement contributions payable	•	•					
224	Insurance premiums payable	•	•					
225	Accounts payable	•	•			•		•
226	Salaries and wages payable	•	•					
231	Sales tax payable	•	•					•
232	Federal excise tax payable	•						
240	Deposits refundable	•						
260	Bonds payable						•	
262	Notes payable	•				•	•	
263	Interest payable					•	•	
271	Grant and contract prepayment		•					
280	Due to other funds	•	•		•	•		•

Current funds—unrestricted 1
Current funds—restricted 2
Endowment and similar funds 3
Loan funds 4
Annuity and life income funds 5
Plant funds 6
Agency funds 7



The accounts shown are intended to be illustrative, both for account titles and for funds in which transactions will be recorded. Institutions may use this chart as a guide in establishing their own chart of accounts, which may include more or fewer accounts than those shown here.



The accounts shown are intended to be illustrative, both for account titles and for funds in which transactions will be recorded. Institutions may use this chart as a guide in establishing their own chart of accounts, which may include more or fewer accounts than those shown here.

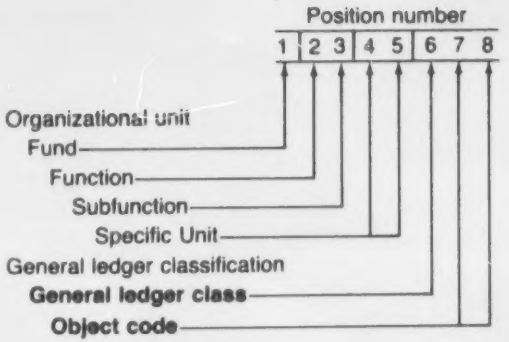
Appropriations, Reserves, and Fund Balances

General ledger code	Description	Funds 1	2	3	4	5	6	7
301	Funds reserved for encumbrances	•	•				•	
31X	Fund balance	•	•	•	•	•	•	
320	Undistributed gains and losses on investment transactions			•				
330	Investment in plant						•	
340	Budgeted revenues	•	•				•	
350	Budgeted personnel expenses	•	•					
360	Budgeted current expenses	•	•				•	
361	Encumbrances—current expenses	•	•					
370	Budgeted capital outlay	•	•				•	
371	Encumbrances—capital expenditures	•	•				•	
380	Budgeted fund balance changes	•	•				•	

Current funds—unrestricted 1
Current funds—restricted 2
Endowment and similar funds 3
Loan funds 4
Annuity and life income funds 5
Plant funds 6
Agency funds 7

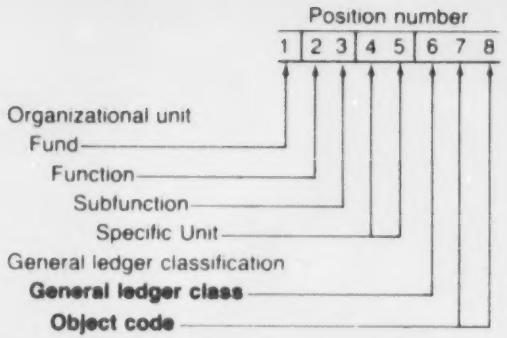
Revenue and Receipts

General ledger code	Description	Funds 1	2	3	4	5	6	7
400	Revenue control							
	Students							
401	Tuition	•						
404	Laboratory fees	•						
405	Application fees	•						
406	Transcript fees	•						
409	Other student fees	•						
	Appropriations							
411	Federal	•						
412	State	•	•				•	
413	Local	•	•				•	
	Government grants and contracts							
421	Federal		•				•	
422	State		•				•	
423	Local		•				•	
429	Indirect costs recovered—government	•	•					
	Private gifts, grants, and contracts							
431	Gifts from individuals	•	•	•	•	•	•	•
432	Gifts from charitable organizations		•					
433	Gifts from business and industry	•	•					
434	Private grants and contracts		•					
435	Indirect costs recovered—private	•	•					
	Investments							
451	Endowment	•	•	•	•		•	•
452	Earnings on other investments	•	•		•	•	•	•
453	Gain or loss on investments	•		•			•	
	Sales and services (460-79)							
	Examples include:							
460-64	Bookstore sales	•						
465-69	Food service sales	•						
470	Housing fees	•						
471	Other sales and services	•						
479	Interdepartmental sales	•						
	Other revenues							
481	Fines and penalties	•						
489	Miscellaneous revenues	•	•	•	•	•	•	•
	Nonrevenue receipts							
491	Proceeds from sale of fixed assets	•					•	
499	Prior year corrections	•	•	•	•	•	•	•
Current funds—unrestricted		1						
Current funds—restricted			2					
Endowment and similar funds				3				
Loan funds					4			
Annuity and life income funds						5		
Plant funds							6	
Agency funds								7



The accounts shown are intended to be illustrative, both for account titles and for funds in which transactions will be recorded. Institutions may use this chart as a guide in establishing their own chart of accounts, which may include more or fewer accounts than those shown here.

66



The accounts shown are intended to be illustrative, both for account titles and for funds in which transactions will be recorded. Institutions may use this chart as a guide in establishing their own chart of accounts, which may include more or fewer accounts than those shown here.

Expenditures and Transfers: Simplified Version

General ledger code	Description	Funds 1	2	3	4	5	6	7
500	Personnel compensation							
	Faculty salaries							
510	Professor	•	•					
515	Associate professor	•	•					
520	Assistant professor	•	•					
525	Instructors	•	•					
530	Lecturers	•	•					
535	Other faculty	•	•					
540	Students, graduate	•	•					
	Other salaries and wages							
550	Executive/administrative/managerial professionals	•	•					
555	Specialist/support professionals	•	•					
560	Technical	•	•					
565	Office/clerical	•	•					
570	Crafts/trades	•	•					
575	Service	•	•					
580	Students—undergraduate	•	•					
589	Vacation and sick leave accrual	•	•					
	Personnel benefits							
590	Statutory	•	•					
593	Health and life	•	•					
594	Retirement	•	•					
596	Other	•	•					
600	Services, supplies, and other current expenses							
	Services							
605	Communication and information	•	•					
610	Printing and duplicating	•	•					
615	Travel and transportation	•	•					
620	Computing and data processing	•	•					
625	Consulting, professional services, and honoraria	•	•					
630	Custodial, security, and other services	•	•					
635	Insurance	•	•					
640	Utilities	•	•					
650	Rental/lease	•	•					
655	Miscellaneous services	•	•					
	Supplies							
660	Office and instructional	•	•					
665	Laboratory	•	•					
670	Maintenance and repair supplies	•	•					
675	Custodial and cleaning supplies	•	•					
680	Minor equipment (under $ ____)	•	•					
685	Other supplies	•	•					
690	Other current charges	•	•					•
695	Scholarships and fellowships	•	•					
700	Capital expenditures							
705	Equipment	•	•				•	
710	Library	•	•				•	
750	Land	•	•				•	
755	Buildings	•	•				•	
760	Improvements other than buildings	•	•				•	
800	Transfers							
801	Mandatory transfers	•	•				•	
802	Nonmandatory transfers	•	•	•	•		•	•

Expenditures and Transfers: Detailed Version

General ledger code	Description
500	Personnel
	Faculty salaries
510	Professor
515	Associate professor
520	Assistant professor
525	Instructors
530	Lecturers
535	Other faculty
540	Students, graduate
	Other salaries and wages
550	Executive/administrative/ managerial professionals
555	Specialist/support professionals
560	Technical
565	Office/clerical
570	Crafts/trades
575	Service
580	Students, undergraduate
589	Vacation and sick leave accrual
	Personnel benefits
	Statutory
590	Social security contributions
591	State unemployment insurance
592	Worker's compensation
593	Health and life
	Retirement
594	TIAA-CREF
595	Other retirement
	Other
596	Tuition—children, faculty, staff
600	Services, supplies, and other current charges
	Services
	Communication and information
601	Postage
602	Telephone—local calls
603	Telephone lease lines
604	Advertising/public relations
605	Subscriptions, books, periodicals (other than library)
606	Freight and express
607	Memberships
608	Other
	Printing and duplicating
610	Photocopying
611	Printing—in-house
612	Contractual printing and duplicating
613	Other
	Travel and transportation
615	Travel—domestic
616	Travel—foreign
617	Moving, relocation
618	Entertainment
619	Other
620	Computing, data processing
	Consultant, professional services and honoraria
625	Legal
626	Audit/accounting/investment
627	Technical
628	Other consulting
629	Honoraria
	Custodial, security, and other
630	Custodial
631	Security
632	Other
	Insurance
636	Insurance—liability
636	Insurance—property
637	Insurance—automobile
638	Insurance—other
	Utilities
640	Electric
641	Gas
642	Oil
643	Coal
644	Water
645	Waste disposal
646	Other
	Rental/lease
650	Buildings
651	Equipment/machine
652	Data processing equipment
653	Land
654	Other
	Miscellaneous services
655	Royalty fees
656	Taxes
657	Payments in lieu of taxes
658	Other
	Supplies
	Office and instructional
660	Office
661	Instructional
	Laboratory
665	Chemicals
666	Audiovisual, photographic, and television service
667	Glass
668	Electronic components
669	Other
	Maintenance and repair supplies
670	Building and equipment
671	Roads and grounds
672	Motor vehicles
673	Other
675	Custodial and cleaning supplies
680	Minor equipment (under $_____)
	Other supplies
685	Food
686	Laundry and dry cleaning
687	Gasoline and diesel motor fuels
	Other current charges
690	Interest on debt
691	Payments on debt principal
692	Depreciation
693	Purchase for resale
694	Other current charges
	Scholarships and fellowships
695	Scholarships
696	Fellowships
697	Other awards (tuition remission)

General Flow of Accounting

The general scheme of a college or university accounting system is illustrated in exhibit 2.1. This chart is intended only to present an overview of the flow of transactions and the resulting classification and reporting of financial data.

The scheme assumes that most financial transactions are recorded through the following three subsystems:

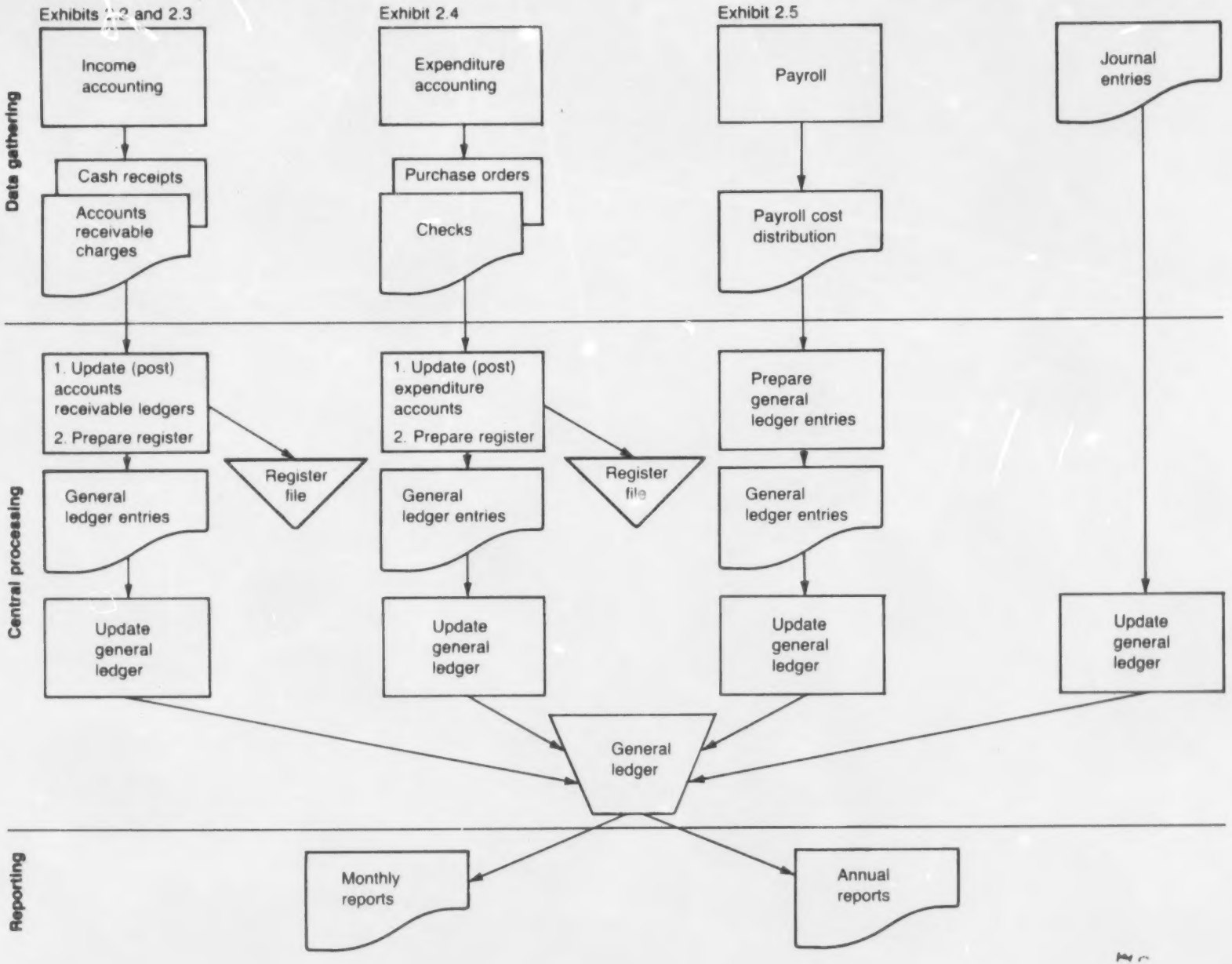
- Payroll subsystem.
- Income accounting subsystem.
- Expenditure accounting subsystem.

All transactions that are not recorded through one of these subsystems are recorded through journal entries to the general ledger.

Accounting Procedures

To illustrate the use of each subsystem, this manual includes a narrative explanation of the procedures involved in it (such a description might appear in a college's procedures manual) and a chart indicating the flow of paper through it. References are made to the appropriate exhibits in appendix B. (A complete list of exhibits appears at the front of the manual.)

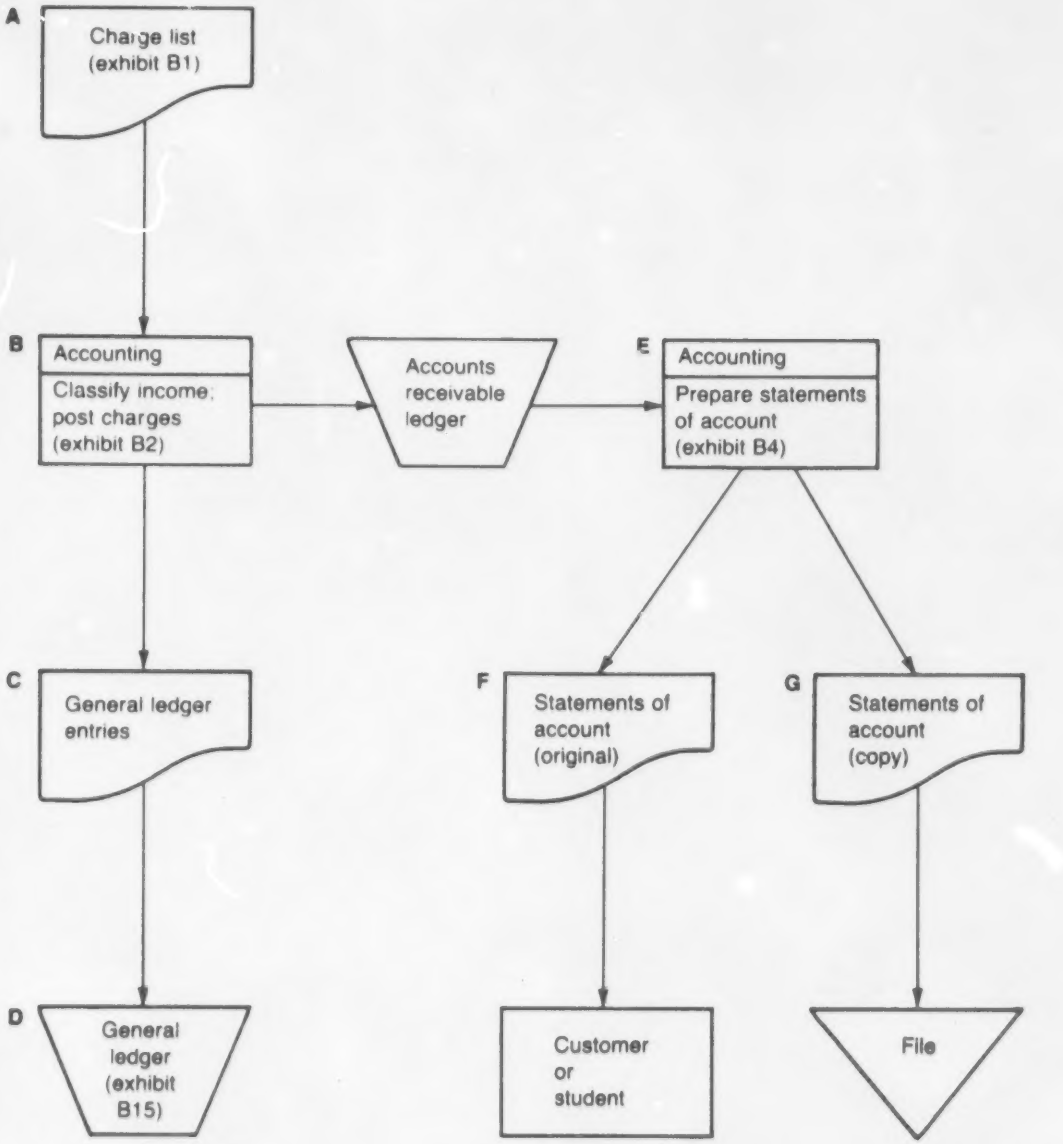
Exhibit 2.1
General Scheme of Accounting—Accounting Subsystems



Income Accounting Subsystem—Charges

Action	Performed by
Source documents are received from various locations indicating that a student's account should be charged. Examples of source documents are: • Fee and charge assessments received from registrar. • List of fines assessed by library. • List of charge sales in bookstore.	Various
A. Prepare charge list (exhibit B1), which includes the classification (coding) of each item, in duplicate.	Accountant or assistant
• Verify total charges on charge list against the total from source documents.	Accountant or assistant
• Transmit original copy of charge list to posting center; retain original copy for file.	Accountant or assistant
B. Post charges from charge list to individual student or other accounts (exhibit B2).	Accountant or assistant
C. Accumulate summary information for general ledger entries.	Accountant or assistant
D. Post summary information to general ledger (exhibit B15).	Accountant or assistant
E. Prepare individual statements of account (exhibit B4) bimonthly.	Clerical assistant
F. Mail original statements to students or others.	Clerical assistant
G. File duplicate copies of statements in hold file.	Clerical assistant

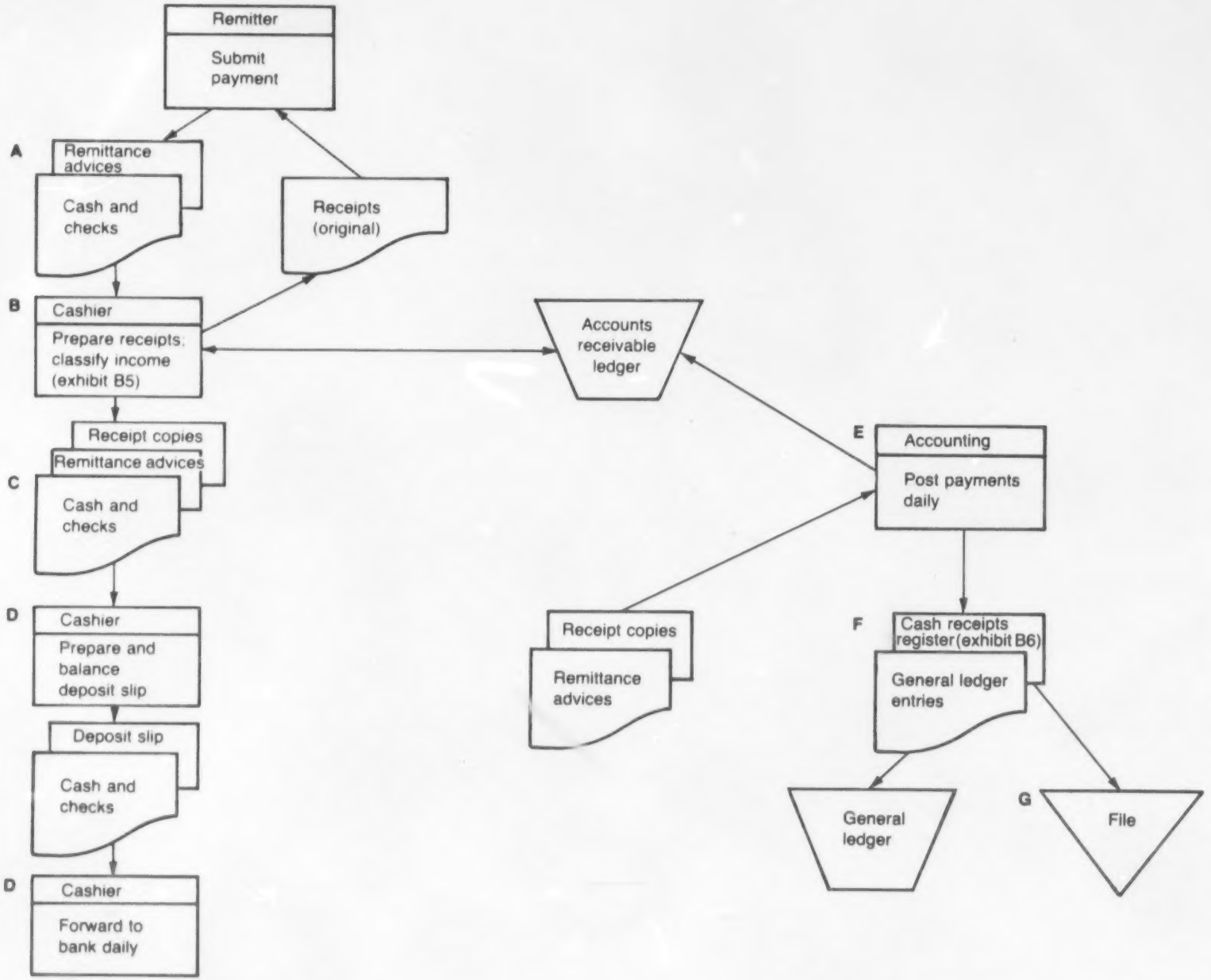
Exhibit 2.2
Income Accounting Subsystem—Charges



Income Accounting Subsystem—Receipts

Action	Performed by
A. Cash and checks accompanied by remittance advices are received from • Students. • Donors or grantors (institution's development office). • Auxiliary enterprise units. • Others.	Cashier
Determine whether or not the receipt is a payment on an account previously established.	Cashier
B. Prepare prenumbered receipts for cash (exhibit B5) in triplicate, classify (code) transaction, and distribute as follows: • Original—Remitter. • Duplicate—Accounting. • Triplicate—Cashier's file. (Give brief explanation of transaction.)	
C. Reconcile cash and checks received with total receipts issued daily.	Cashier
D. Prepare bank deposit, including deposit slip, and forward to bank. For positive control, all checks and cash should be deposited daily.	Cashier
E. Post payments to accounts receivable ledger and create cash receipts register (exhibit B6). Verify numerical sequence of receipt copies.	Accountant or assistant
F. Post summary information from cash receipts register to general ledger.	Accountant or assistant
G. File cash receipts register.	Clerical assistant

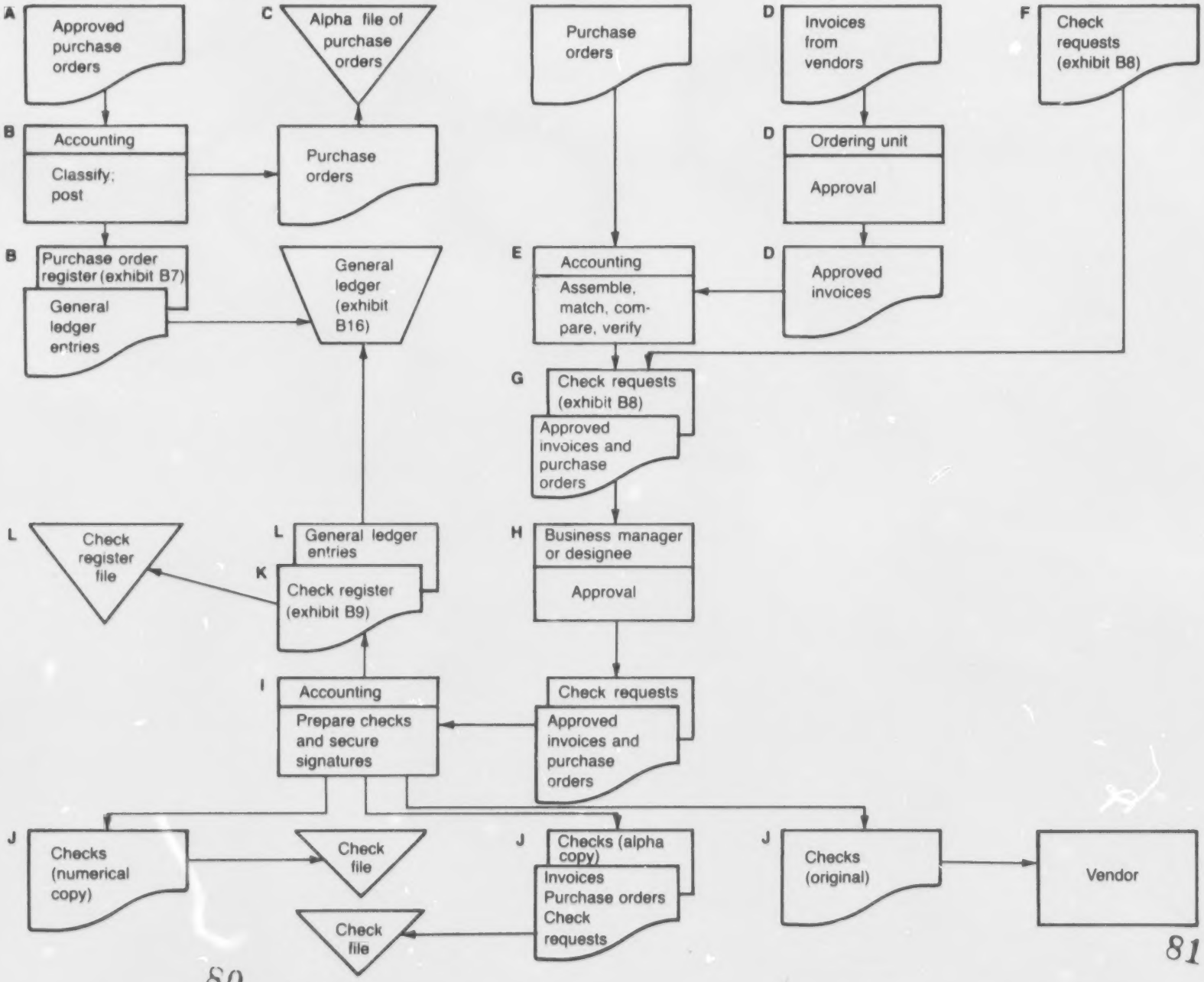
Exhibit 2.3
Income Accounting Subsystem—Receipts



Expenditures Accounting Subsystem

Action	Performed by
A. Prepare and secure appropriate approval for purchase orders.	In accordance with institutional purchasing procedures
B. Classify approved purchase orders and create purchase order register (exhibit B7). Post to general ledger.	Accountant or assistant
C. File copy of purchase order in alphabetical and numerical holding files.	Clerical assistant
D. Receive and approve vendor invoices for goods and services.	Ordering unit
E. Match with alphabetical, approved purchase order. Note invoice number and date on numerical copy of purchase order.	Clerical assistant
F. Prepare check requests (exhibit B8) for all disbursement of travel expenses which should be accompanied by an approved expense report (exhibits B10a and B10b).	Ordering unit or budget responsibility center
G. Assemble purchase orders, vendor invoices, and check requests; compare and match quantities and prices. Verify extensions and totals. Attach appropriate support documents to both purchase orders and check requests.	Accountant or assistant
H. Review purchase orders and check requests for approval; note approval and date on purchase order or check request form.	Business officer or assistant
I. Verify approval and prepare checks. Route to appropriate person(s) for signature(s) in accordance with internal control procedures.	Accountant or assistant
J. Distribute check copies as follows: • Original—Vendor. • Duplicate—Numerical file. • Triplicate—Attach to purchase order, invoice, and check request and file alphabetically.	Clerical assistant
K. Prepare check register (exhibit B9). This is done either at the time of preparation of the check or from the numerical check file, depending on bookkeeping methods and degree of mechanization.	Accountant or assistant
L. Summarize check register, prepare general ledger entries, and update (post) general ledger (exhibit B16).	Accountant or assistant

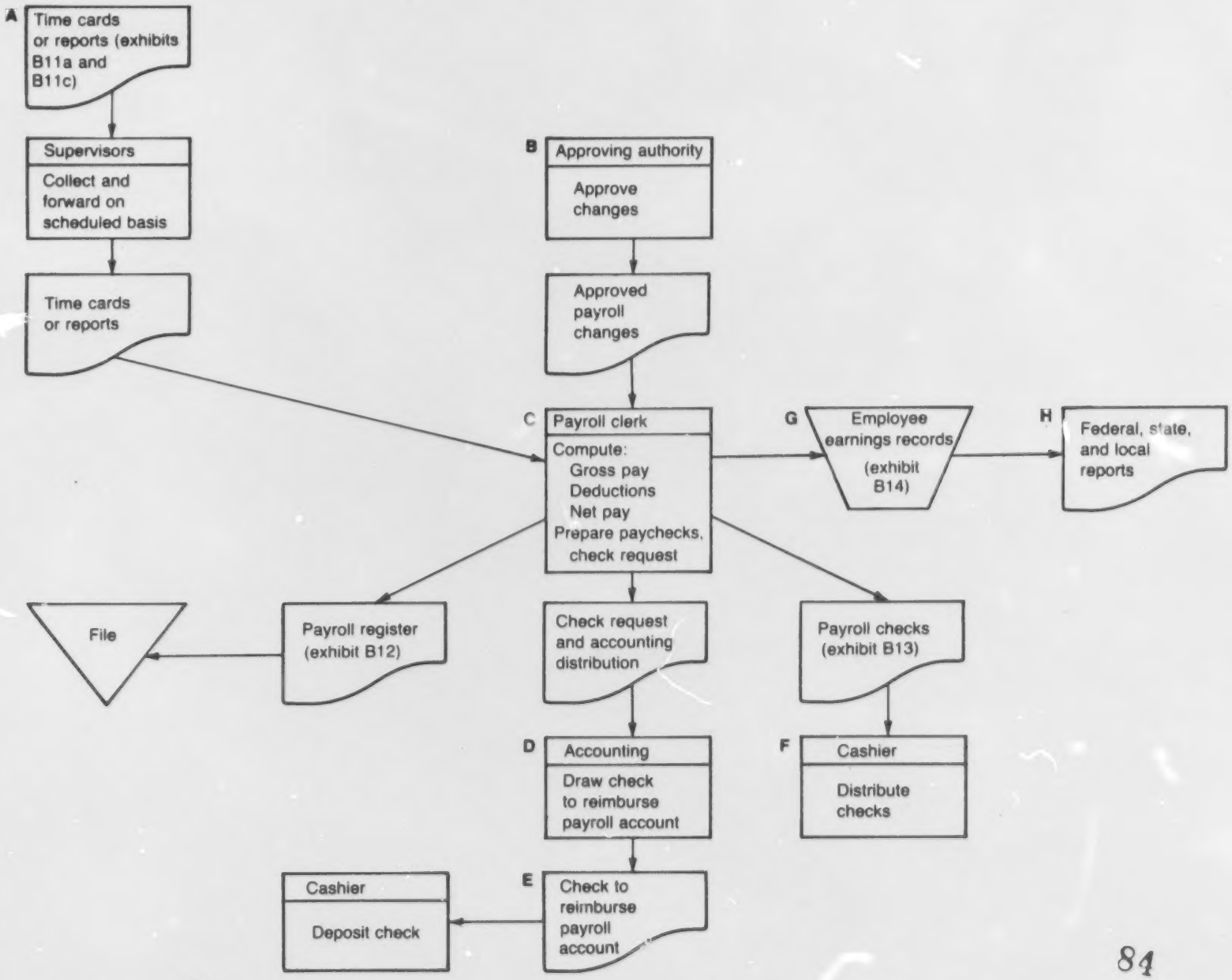
Exhibit 2.4
Expenditures Accounting Subsystem



Payroll Subsystem

Action	Performed by
A. Submit time cards or reports (exhibits B11a or B11c) to the accounting office on a scheduled basis for employees other than those who are "exempt" from the provisions of the Fair Labor Standards Act.	Supervisors
B. Submit approved payroll changes to the accounting office in writing.	Approving authority
C. Make computations for gross pay, appropriate deductions, and net pay. Reflect these computations on the payroll register (exhibit B12).	Payroll clerk
C. Prepare payroll checks (exhibit B13).	Payroll clerk
C. Determine distribution of payroll costs to the various expenditure accounts and prepare check requests for checks to reimburse the payroll bank account.	Payroll clerk
D. Draw check to reimburse the payroll bank account.	Accountant
E. Deposit reimbursement checks in the payroll bank account.	Cashier
F. Distribute payroll checks.	Cashier
G. Update employee payroll earnings records (exhibit B14).	Payroll clerk
H. Prepare appropriate federal, state, and local payroll reports.	Payroll clerk

Exhibit 2.5
Payroll Subsystem



Recording Miscellaneous Transactions

Action	Performed by
Situations arise that require entries into the accounting system that may not be handled through one of the established subsystems. Examples are: • Memo entries for budgeted revenues and expenditures. • Adjusting entries. • Closing entries.	Various
Prepare journal voucher (exhibit B17) to record appropriate entries.	Accountant
Secure approval of journal voucher by business officer or business officer's designee.	Accountant
Post journal voucher to general ledger.	Posting machine operator
File journal vouchers; file becomes general journal.	Clerical assistant

Appendix A

Funds (Position 1)

1 Current Funds—Unrestricted

This fund is used to account for resources available for general needs, the only limitations being those imposed by law and by the budget. The organizational units to be financed through this fund are those concerned directly with the operation and support of the educational program. The revenue accounts to be credited to this fund generally are the resources received to finance the educational program. Resources restricted by external agents for certain purposes are not included in this fund.

2 Current Funds—Restricted

This fund is used to account for resources available for operation and support of the educational program but restricted by donors or other outside agencies to a specific purpose. Examples include (1) gifts that must be used *only for* specified purposes, (2) federal grants for other than construction, and (3) student loans. Laboratory fees charged students are *not* credited to this fund, as they are intended only to offset a high cost of instruction for a particular course.

The organizational units to be financed through this fund will usually be the same as those financed through *current funds—unrestricted.* Because the fund group is *current funds—restricted,* however, a "2" rather than a "1" will be used as the first digit of the organizational unit.

3 Endowment and Similar Funds

Endowment funds are those for which donors or other external agencies have stipulated under the terms of the gift instrument creating the fund that the principal of the fund is not expendable—i.e., that it is to remain inviolate in perpetuity and is to be invested for the purpose of producing present and future income, which may be expended or added to principal.

Term endowment funds are like endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event.

Quasi-endowment funds (funds functioning as endowment) are funds that the governing board of the institution, rather than a donor or other external agency, has determined are to be retained and invested. Since the funds are not required by the donor to be retained and invested, the principal as well as the income may be totally utilized at the discretion of the governing board, subject to any donor-imposed restrictions on use.

4 Loan Funds

Loan funds are resources available for loan to students, regardless of whether the institution is responsible for collection of the loan. Loan funds for which the recipient of the loan is not selected by the institution should not be included here, but should be included in *agency funds* or credited directly to students' fees in *current funds—unrestricted.*

5 Annuity and Life Income Funds

Annuity funds consist of funds acquired in an agreement to pay an individual a periodic amount. The instrument setting up a fund contains a stipulation as to the date of termination of the annuity. When there is a significant volume of such funds, they should be classified as a separate fund group. If they are immaterial in amount, they may be included in *endowment and similar funds.*

Life income funds consist of funds acquired by an institution under agreements whereby money or other property is made available to an institution on condition that it bind itself to periodically pay to the donors or other designated individuals the income earned by the assets donated, usually for the lifetimes of the income beneficiaries.

6 Plant Funds

This group of funds is used to account for funds to be used for construction, renovation, and acquisition of physical property for institutional purposes; funds accumulated for retirement of indebtedness on plant properties; and funds already expended for plant properties. Real property that represents the investment of endowment and similar funds is not included here.

7 Agency Funds

This group of funds is used to account for resources received and held by the institution as custodian or fiscal agent for others. Since agency funds are not owned by the institution, there are no fund balances in this fund group. Examples of activities in this group include funds of student or staff organizations and clubs and funds from persons and organizations providing financial aid to students but reserving the right to designate the award recipient.

Agency funds should be accounted for as a separate fund group, although they may, if immaterial in amount, be reported as assets and liabilities of the current fund.

Although transactions of agency funds usually represent charges or credits to the individual asset and liability accounts, regular receipt and disbursement codes may be used to record such transactions.

Functions and Subfunctions (Positions 2 and 3)

1x Instruction

This category should include expenditures for all activities that are part of an institution's instruction program. Expenditures for credit and noncredit courses; for academic, vocational, and technical instruction; for remedial and tutorial instruction; and for regular, special, and extension sessions should be included.

Expenditures for departmental research and public service that are not separately budgeted should be included in this classification. This category *excludes* expenditures for academic administration where the primary assignment is administration—for example, academic deans. However, expenditures for department chairpersons, in which instruction is still an important role of the administrator, are included in this category.

This category includes the following subcategories:

11 *General Academic Instruction.* Includes expenditures for formally organized and/or separately budgeted instructional activities that are (1) carried out during the academic year (as

defined by the institution), (2) associated with academic offerings described by HEGIS discipline categories 0100 through 4900, and (3) offered for credit as part of a formal postsecondary education degree or certificate program. Open university, short courses, and home study activities falling within these HEGIS categories and offered for credit would therefore be included. However, this subcategory does *not* include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

12 *Vocational/Technical Instruction.* Includes expenditures for formally organized and/or separately budgeted instructional activities that are (1) carried out during the academic year (as defined by the institution), (2) usually associated with HEGIS discipline categories 5000 through 5500, and (3) offered for credit as part of a formal postsecondary education degree or certificate program. Open university, short courses, and home study falling within these HEGIS categories and offered for credit would therefore be included. However, this subcategory does *not* include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

13 *Special Session Instruction.* Includes expenditures for formally organized and/or separately budgeted instructional activities (offered either for credit or not for credit) that are carried out during a summer session, interim session, or other period not common with the institution's regular term. This subcategory is to be used to classify only expenditures made *solely* as a result of conducting a special session (such as faculty salaries associated with the special session). Special sessions would *not* include regular academic terms held during the summer months. Expenditures for special sessions conducted over a fiscal year-end should be reported totally within the fiscal year in which the program is predominantly conducted. The revenues and expenditures for any special session should be reported in the same fiscal year. This procedure for reporting expenditures of special sessions is an allowable exception to reporting expenditures on an accrual basis.

14 *Community Education.* Includes expenditures for formally organized and/or separately budgeted instructional activities that do not generally result in credit toward any formal postsecondary degree or certificate. It includes noncredit instructional offerings carried out by the institution's extension division as well as noncredit offerings that are part of the adult education or continuing education program. This subcategory also includes expenditures for activities associated with programs leading toward a degree or certificate at a level below the higher education level, such as adult basic education.

15 *Preparatory/Remedial Instruction.* Includes expenditures for formally organized and/or separately budgeted instructional activities that give students the basic knowledge and skills required by the institution before they can undertake formal academic course work leading to a postsecondary degree or certificate. Such activities, supplemental to the normal academic program, generally are termed preparatory, remedial, developmental, or special educational services. These instructional offerings may be taken prior to or along with the course work leading to the degree or certificate. They are generally noncredit offerings, although in some cases credit may be given and the credit requirements for the degree or certificate increased accordingly. Only offerings provided *specifically* for required preparatory or remedial skills or knowledge should be included in this category. For example, if students may satisfy preparatory requirements by taking offerings provided primarily for other than remedial or preparatory purposes, those offerings should be classified appropriately elsewhere.

2x Research

This category should include all expenditures for activities specifically organized to produce research outcomes, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, it includes expenditures for individual and/or project research as well as those of institutes and research centers. This category does not include all sponsored programs (training grants are an example), nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described above. Expenditures for departmental research that are separately budgeted specifically for research are included in this category.

This category includes the following subcategories:

21 *Institutes and Research Centers.* Includes expenditures for research activities that are part of a formal research organization created to manage a number of research efforts. While this subcategory includes agricultural experiment stations, it does *not* include the twenty federally funded research and development centers, which should be classified as independent operations.

22 *Individual and Project Research.* Includes expenditures for research activities that normally are managed within academic departments. Such activities may have been undertaken as the result of a research contract or grant or through a specific allocation of the institution's general resources.

3x Public Service

This category should include funds expended for activities that are established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar noninstructional services to particular sectors of the community.

This category includes the following subcategories:

31 *Community Service.* Includes expenditures for activities organized and carried out to provide general community services, *excluding* instructional activities. Community service activities make available to the public various resources and special capabilities that exist within the institution. Examples include conferences and institutes, general advisory services and reference

bureaus, consultation, testing services (e.g., soil testing, carbon dating, structural testing), and similar activities. The activities included in this subcategory are generally sponsored and managed outside the context of both the agricultural and urban extension programs and the institution's public broadcasting operation.

32 *Cooperative Extension Service.* Includes expenditures for noninstructional public service activities established as the result of cooperative extension efforts between the institution and outside agencies such as the U.S. Department of Agriculture's extension service and the affiliated state extension services. This subcategory is intended primarily for land-grant colleges and universities and includes both agricultural extension and urban extension services. The distinguishing feature of activities in this subcategory is that programmatic and fiscal control is shared by the institution with the U.S. Department of Agriculture's extension service, the related state extension services, and agencies of local government.

33 *Public Broadcasting Services.* Includes expenditures for operation and maintenance of broadcasting services operated outside the context of the institution's instruction, research, and academic support programs. Thus, *excluded* from this subcategory are broadcasting services conducted primarily in support of instruction (which should be classified in the subcategory *ancillary support*), broadcasting services that are primarily operated as a student service activity (which should be classified in the subcategory *social and cultural development*), and broadcasting services that are independent operations (which should be classified in the subcategory *independent operations/institutional*).

4x Academic Support

This category should include funds expended primarily to provide support services for the institution's primary missions—instruction, research, and public service. It includes (1) the retention, preservation, and display of educational materials —for example, libraries, museums, and galleries; (2) the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education; (3) media, such as audiovisual services, and technology, such as computing support; (4) academic administration (including academic deans but not department chairpersons) and personnel development providing administrative support and management direction to the three primary missions; and (5) separately budgeted support for course and curriculum development. For institutions that currently charge certain of the expenditures—for example, computing support—directly to the various operating units of the institution, such expenditures are not reflected in this category.

This category includes the following subcategories:

41 *Libraries.* Includes expenditures for organized activities that directly support the operation of a catalogued or otherwise classified collection.

42 *Museums and Galleries.* Includes expenditures for organized activities that provide for the collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc. Libraries are *excluded*.

43 *Educational Media Services.* Includes expenditures for organized activities providing audiovisual and other services that aid in the transmission of information in support of the institution's instruction, research, and public service programs.

44 *Academic Computing Support.* Includes expenditures for formally organized and/or budgeted activities that provide computing support to the three primary programs. *Excluded* from this category is administrative data processing, which is classified as institutional support.

45 *Ancillary Support.* Includes expenditures for organized activities that provide support services to the three primary programs, but that are not appropriately classified in the previous subcategories. Ancillary support activities usually provide a mechanism through which students can gain practical experience. An example of ancillary support is a demonstration school associated with the school of education. However, the expenditures of teaching hospitals are *excluded*.

46 *Academic Administration.* Includes expenditures for activities specifically designed and carried out to provide administrative and management support to the academic programs. This subcategory is intended to separately identify only expenditures for activities formally organized and/or separately budgeted for academic administration. It includes the expenditures of academic deans (including deans of research, deans of graduate schools, and college deans), but does not include the expenditures of departmental chairpersons (which are included in the appropriate primary function categories). It also includes expenditures for formally organized and/or separately budgeted academic advising. Expenditures associated with the office of the chief academic officer of the institution are *not* included in this subcategory but should be classified as institutional support.

47 *Academic Personnel Development.* Includes expenditures for activities that provide the faculty with opportunities for personal and professional growth and development to the extent that such activities are formally organized and/or separately budgeted. This subcategory also includes formally organized and/or separately budgeted activities that evaluate and reward professional performance of the faculty. Included in this subcategory are sabbaticals, faculty awards, and organized faculty development programs.

48 *Course and Curriculum Development.* Includes expenditures for activities established either to significantly improve or to add to the institution's instructional offerings, but only to the extent that such activities are formally organized and/or separately budgeted.

5x Student Services

This category should include funds expended for offices of admissions and registrar and those activities the primary purpose of which is to contribute to the student's emotional and physical well-being and to his or her intellectual, cultural, and social development outside the context of the formal instructional program. It includes expenditures for student activities, cultural events, student newspaper, intramural athletics, student organizations, intercollegiate athletics (if the program is

operated as an integral part of the department of physical education and not as an essentially self-supporting activity), counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health services (if not operated as an essentially self-supporting activity).

This category includes the following subcategories:

51 *Student Services Administration.* Includes expenditures for organized administrative activities that provide assistance and support (*excluding* academic support) to the needs and interests of students. This subcategory includes only administrative activities that support more than one subcategory of student activities and/or that provide central administrative services related to the various student service activities. In particular, this subcategory includes services provided for particular *types* of students (e.g., minority students, veterans, and handicapped students). *Excluded* from this subcategory are activities of the institution's chief administrative officer for student affairs, whose activities are institutionwide and, therefore, should be appropriately classified as institutional support.

52 *Social and Cultural Development.* Includes expenditures for organized activities that provide for students' social and cultural development outside the formal academic program. This subcategory includes cultural events, student newspapers, intramural athletics, student organizations, etc. Expenditures for an intercollegiate athletics program would be included in this subcategory if the program is not operated as an essentially self-supporting operation (in which case the related expenditures would be reported as auxiliary enterprises).

53 *Counseling and Career Guidance.* Includes expenditures for formally organized placement, career guidance, and personal counseling services for students. This subcategory includes vocational testing and counseling services and activities of the placement office. *Excluded* from this subcategory are formal academic counseling activities (academic support) and informal academic counseling services (instruction) provided by the faculty in relation to course assignments.

54 *Financial Aid Administration.* Includes expenditures for activities that provide financial aid services and assistance to students. This subcategory does *not* include outright grants to students, which should be classified as scholarships and fellowships.

55 *Student Admissions.* Includes expenditures for activities related to (1) the identification of prospective students, (2) the promotion of attendance at the institution, and (3) the processing of applications for admission.

56 *Student Records.* Includes expenditures for activities to maintain, handle, and update records for currently enrolled students as well as for students who were previously enrolled.

57 *Student Health Services.* Includes expenditures for organized student health services that are not self-supporting rather than those organized as auxiliary enterprises.

6x Institutional Support

This category should include expenditures for (1) central executive-level activities concerned with management and long-range planning of the entire institution, such as the governing board, planning and programming, and legal services; (2) fiscal operations, including the investment office; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; (7) support services to faculty and staff that are not operated as auxiliary enterprises; and (8) activities concerned with community and alumni relations, including development and fund raising.

Appropriate allocations of institutional support should be made to auxiliary enterprises, hospitals, and any other activities not reported under the educational and general heading of expenditures.

This category includes the following subcategories:

61 *Executive Management.* Includes expenditures for all central, executive-level activities concerned with management and long-range planning for the entire institution (as distinct from planning and management for any one program within the institution). This subcategory includes such operations as executive direction (e.g., governing board), planning and programming, and legal operations.

62 *Fiscal Operations.* Includes expenditures for operations related to fiscal control and investments. It includes the accounting office, bursar, and internal and external audits, and also includes such "financial" expenses as allowances for bad debts and short-term interest expenses.

63 *General Administration and Logistical Services.* Includes expenditures for activities related to general administrative operations and services (with the exception of fiscal operations and administrative data processing). Included in this subcategory are personnel administration, space management, purchasing and maintenance of supplies and materials, campuswide communication and transportation services, general stores, printing shops, and safety services.

64 *Administrative Computing Support.* Includes expenditures for computer services that provide support for institutionwide administrative functions.

65 *Public Relations/Development.* Includes expenditures for activities to maintain relations with the community, alumni, or other constituents and to conduct activities related to institutionwide development and fund raising.

7x Operation and Maintenance of Plant

This category should include all expenditures of current operating funds for the operation and maintenance of physical plant, in all cases net of amounts charged to auxiliary enterprises, hospitals, and independent operations. It does not include expenditures made from the institutional plant fund accounts. It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items.

This category includes the following subcategories:

71 *Physical Plant Administration.* Includes expenditures for administrative activities that directly support physical plant operations. Activities related to the development of plans for plant expansion or modification, as well as plans for new construction, should also be included in this subcategory.

72 *Building Maintenance.* Includes expenditures of activities related to routine repair and maintenance of buildings and other structures, including both normally recurring repairs and preventive maintenance.

73 *Custodial Services.* Includes expenditures related to custodial services in buildings.

74 *Utilities.* Includes expenditures related to heating, cooling, light and power, gas, water, and any other utilities necessary for operation of the physical plant.

75 *Landscape and Grounds Maintenance.* Includes expenditures related to the operation and maintenance of landscape and grounds.

76 *Major Repairs and Renovations.* Includes expenditures related to major repairs, maintenance, and renovations. Minor repairs should be classified in the subcategory *building maintenance.* The distinction between major repairs and minor repairs should be defined by the institution.

8x Scholarships and Fellowships

This category should include expenditures for scholarships and fellowships in the form of outright grants to students selected by the institution and financed from current funds, restricted or unrestricted. It also should include trainee stipends, prizes, and awards, except trainee stipends awarded to individuals who are not enrolled in formal course work, which should be charged to instruction, research, or public service as appropriate. If the institution is given custody of the funds but is not allowed to select the recipient of the grant—for example, federal Basic Educational Opportunity Grants (BEOG) program or Reserve Officers' Training Corps (ROTC) scholarships—the funds should be reported in the *agency funds* group rather than in the *current funds* group. The recipient of an outright grant is not required to perform service to the institution as consideration for the grant, nor is he or she expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the federal College Work-Study (CWS) program, the charges should be classified as expenditures of the department or organizational unit to which the service is rendered. Aid to students in the form of tuition or fee remissions also should be included in this category. However, remissions of tuition or fees granted because of faculty or staff status, or family relationship of students to faculty or staff, should be recorded as staff benefit expenditures in the appropriate functional expenditure category.

This category includes the following subcategories:

81 *Scholarships.* Includes outright grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to undergraduate students.

82 *Fellowships.* Includes outright grants-in-aid and trainee stipends to graduate students. It does *not* include funds for which services to the institution must be rendered, such as payments for teaching.

9x Auxiliary Enterprises

An auxiliary enterprise is an entity that exists to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities. Examples are residence halls, food services, intercollegiate athletics (only if essentially self-supporting), college stores, faculty clubs, faculty and staff parking, and faculty housing. Student health services, when operated as an auxiliary enterprise, also should be included. The general public may be served incidentally by auxilliary enterprises. Hospitals, although they may serve students, faculty, or staff, are separately classified because of their relative financial significance.

This category includes all expenditures and transfers relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and for institutional support; also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units.

Expenditures of auxiliary enterprises are identified by using the same general criteria as for educational and general expenditures to distinguish them from transfers. *Mandatory transfers* follow the same criteria of identification as for educational and general mandatory transfers to distinguish them from expenditures and nonmandatory transfers. *Nonmandatory transfers* follow the same criteria of identification as for educational and general nonmandatory transfers to distinguish them from expenditures and mandatory transfers.

This category includes the following subcategories:

91 *Auxiliary Enterprises—Student.* Includes expenditures for auxiliary enterprise activities primarily intended to furnish services to students. A student health service, when operated as an auxiliary enterprise, would be included. However, intercollegiate athletics are *excluded* from this category.

92 *Auxiliary Enterprises—Faculty/Staff.* Includes expenditures for auxiliary enterprise activities primarily intended to provide a service to the faculty and/or staff. Such activities include the faculty club, faculty/staff parking, and faculty housing.

93 *Intercollegiate Athletics.* Includes expenditures for the intercollegiate sports program when that program is operated in accordance with the definition of an auxiliary enterprise (essentially self-supporting).

94 *Mandatory Transfers/Auxiliary Enterprises.* Includes mandatory transfers relating to auxiliary enterprises, including amounts set aside for (1) debt retirement and interest and (2) required provisions for renewals and replacements, to the extent not financed from other sources.

98 Mandatory Transfers

This category should include transfers from the *current funds* group to other fund groups arising out of (1) binding legal agreements related to the financing of educational plant, such as amounts for debt retirement, interest, and required provisions for renewals and replacements of plant, not financed from other sources, and (2) grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants to loan and other funds. Mandatory transfers may be required to be made from either unrestricted or restricted current funds.

This category includes the following subcategories:

Provision for Debt Service on Educational Plant. Includes mandatory debt service provisions relating to academic buildings, including (1) amounts for debt retirement and interest and (2) required provisions for renewals and replacements, to the extent not financed from other sources.

Loan Fund Matching Grants. Includes mandatory transfers to loan funds required to match outside gifts or grants, usually from the U.S. government.

Other Mandatory Transfers. Includes all mandatory transfers not included in the above subcategories.

99 Nonmandatory Transfers

This category should include those transfers from the *current funds* group to other fund groups made at the discretion of the governing board to serve a variety of objectives, such as additions to loan funds, additions to quasi-endowment funds, general or specific plant additions, voluntary renewals and replacements of plant, and prepayments on debt principal.

Specific Unit (Positions 4 and 5)

Positions 4 and 5 are used for specific organizational units and activities such as biology.

General Ledger Classification (Positions 6, 7, and 8)

Positions 6, 7, and 8 are used for general ledger classification codes indicating the type of transaction or account (assets, liabilities, fund balances, revenues and receipts, expenditures and transfers). These are discussed in detail in the sections that follow.

Assets (Positions 6, 7, and 8)

101 *Cash in Bank(s).* These accounts represent money on deposit in demand checking accounts. Each separate bank account is assigned a general ledger number, using accounts 101-19. Special bank accounts, such as payroll or revenue clearing accounts, are assigned a number in this group of accounts and are used by all funds jointly.

120 *Returned Checks.* This account is used to record checks returned by banks because of insufficient funds or for other valid reasons. The checks are (1) redeposited or (2) converted to depositable assets by the drawer and redeposited.

122 *Petty Cash.* This is a fixed amount of money set aside in the cashier's office to make immediate cash disbursements for small purchases or services. The total of the fund must always be accounted for by cash on hand plus receipts for amounts expended. The fund is replenished periodically by an amount equal to the total of the petty cash slips or invoices. Each time the fund is replenished, charges are made to expenditure accounts of the appropriate organizational units.

13x *Accounts Receivable.* This account is used to record accounts receivable from all sources. It should be debited and revenue accounts should be credited at the time it is determined that an amount of money is due the institution, regardless of when the money will actually be received. Accounts 130-39 may be used to identify any specific receivable.

140 *Notes Receivable.* This account is used to record notes receivable from all sources. It should be debited and revenue accounts should be credited at the time it is determined that an amount of money is due the institution, regardless of when the money will actually be received. A major use of this account is for loans made to students. This account is debited when a loan is made and is credited when a loan is repaid.

141 *Allowance for Doubtful Accounts and Notes.*

145 *Prepaid Expense.* This account is used to record all prepayments for services that extend beyond the accounting period. Periodic adjustments should be made so that the balance of the account reflects the prepaid amount for subsequent periods.

150 *Deposits.* If the institution is required to pay a deposit that will later be refunded, this account is charged for the amount of the deposit. It should be credited when the deposit is refunded.

16x *Investments.* Accounts 160-69 are used to account for investments. Separate codes may be used to identify specific investments, such as common stock, preferred stock, bonds, notes, treasury bills, and real estate.

17x *Merchandise Inventory.* Accounts 170-79 are used to record all inventories of merchandise, materials, and supplies that are delivered to central or controlled locations to be resold to individuals or organizations or to be distributed on requisitions to organizational units of an institution. The *purchase* of the goods is charged to account 690, *purchases for resale.* When physical inventories are taken (at least annually), the merchandise inventory accounts are adjusted, with an offsetting entry to account 690.

18x *Due from Other Funds.* These accounts are used to reflect amounts due from one fund to another. They may arise (1) from actual transfers of money from one fund to another or (2) from one fund's paying an obligation of another fund or rendering a service to another fund. The third digit is used to denote the fund that owes the money (e.g., 181, due from *current funds—unrestricted;* 182, due from *current funds—restricted.* Transfers

of money that are not intended to be repaid should be debited to account 801 or 802, *transfers*.

190 *Land*. This account is used in *plant funds* to maintain the acquisition value of land. Costs of clearing land and other site development costs should be recorded in account 193, *improvements other than buildings*.

The actual purchase of land is charged to account 751, *land* (expenditure), and is usually purchased through *plant funds*. At the end of each year, all purchases of land are set up in account 190 in *plant funds*, with a corresponding entry in the appropriate account.

192 *Buildings*. This account is used in *plant funds* to record the acquisition value of complete buildings. The actual purchase of buildings is charged to account 756, *buildings*, and is set up at the end of each year in account 192, with a corresponding entry in the appropriate account.

193 *Improvements Other than Buildings*. This account is used to record the cumulative value of completed fixed assets other than land, buildings, books, furniture, and equipment. Such assets would include sidewalks, parking lots, site development, fences, flagpoles, underground utility lines, and lighting systems.

The actual purchase of these assets is charged to accounts 761-3, *improvements other than buildings*, and is set up at the end of each year in account 193, with a corresponding entry to the appropriate account.

194 *Movable Equipment*. This account is used to record the cumulative value of furniture, machinery, and equipment for which line item inventory control will be maintained. It is the control account for "accountable" equipment, i.e., equipment that costs $100 (or other amount established by the governing board) or more per item and that must be tagged or otherwise identified and accounted for. The actual purchase of these items is charged to accounts 701-14 and is set up at the end of the year in account 194, with a corresponding entry to net investment in plant.

Deductions should be made periodically for items lost, traded, or destroyed because of obsolescence or physical condition.

196 *Library Resources*. This account is used to record the cumulative value of *library books* purchased and the cost of *bound* periodicals. It also includes other library resources, such as films and microform. The actual purchase of these items is charged to accounts 721-26 and is set up at the end of the year in account 196.

197 *Construction in Progress*. This account is used in *plant funds* to record the costs of construction projects that are in progress but incomplete at the end of a fiscal year; these include expenditures for *buildings* and for *other structures and improvements*. Actual expenditures during the year for *buildings* are charged to account 756 and for *improvements other than buildings* to accounts 761-3. At the end of the year, these expenditure accounts are analyzed; expenditures for projects that have been completed are moved to account 192, *buildings*, and account 193, *improvements other than buildings*, in *plant funds*. Expenditures for uncompleted projects are transferred to account 197.

Liabilities (Positions 6, 7, and 8)

211 *Deposits Held in Custody for Others*. This account is used only in *agency funds* and is to be used in lieu of the fund balance account. Transactions of agency funds represent charges or credits to the individual asset and liability accounts rather than charges or credits to revenue and expenditure accounts. When funds are received from others, account 211 should be credited. When disbursements are made, account 211 should be debited.

221 *Federal Income Taxes Payable*. This account is credited for income taxes withheld from employees' salaries.

222 *FICA Taxes Payable*. This account is credited for FICA (Federal Insurance Contributions Act, or social security) taxes withheld from employees' salaries and for an institution's portion of FICA taxes. This account and account 591, *social security contributions*, are debited for the institution's portion. When payment is made to the Internal Revenue Service, account 222 is debited.

223 *Retirement Contributions Payable*. This account is credited for retirement contributions withheld from employees' salaries and for the institution's matching portion.

224 *Insurance Premiums Payable*. This account is handled similarly to account 223, *retirement contributions payable*.

225 *Accounts Payable*. This account is used to record amounts due others. If payment is made soon after an obligation becomes payable, it may be desirable to credit account 101, *cash in bank*, rather than this account. At the end of each fiscal year, however, all accounts payable *must* be recorded and the appropriate expense accounts of the organizational units receiving the goods or services *must* be debited. An obligation is payable when goods are received or services are rendered, regardless of whether or not an invoice has been received.

226 *Salaries and Wages Payable*. This account is used to record the amount of salaries and wages earned by employees during the accounting period but not yet paid. The appropriate salary accounts should be debited.

231 *Sales Tax Payable*. This account is credited with the amount of sales tax collected on sales and debited when paid. Any commissions earned are debited to this account and are credited to account 489, *miscellaneous revenue*.

232 *Federal Excise Tax Payable*. Excise taxes, which may be collected on some bookstore sales, are credited to this account when collected. This account should be debited when payment is made.

240 *Deposits Refundable*. If the institution receives funds that are refundable, such as key deposits or bid deposits, they are credited to this account. This account should be debited when the deposit is refunded or when it is determined that the deposit should be forfeited.

261 *Bonds Payable*. When bonds are sold, this account is credited with the face value of the bonds issued. At the end of the fiscal year in which bond proceeds are used on projects, a portion of bonds payable equal to the amount of bond proceeds expended is moved by crediting account 261 and debiting the proper asset accounts (190, 192, 193, 194, or 197). Amounts rep-

resenting *construction in progress* may be left in *plant funds* until the project is actually completed. As bonds are retired, account 691, *payments on debt principal,* is debited. At the end of each fiscal year, account 691 is closed by debiting account 261 and crediting account 330.

262 *Notes Payable.* This account is established to account for long-term loans exactly as account 261 is used to account for *bonds payable.* Account 262 is also used for short-term loans for funds other than *plant funds* that are not repaid during the same year in which they are borrowed.

263 *Interest Payable.* This account is credited for the amount of interest that has accrued on liabilities during the accounting period but is unpaid at the end of the year.

271 *Grant and Contract Prepayment.* This account is credited when income representing prepayment of a grant or contract is received.

280 *Due to Other Funds.* Accounts 280-87 are used to reflect amounts due to one fund from another. The third digit is used to denote the fund due the money (e.g., 282, due to *current funds—restricted).*

Appropriations, Reserves, and Fund Balances (Positions 6, 7, and 8)

301 *Funds Reserved for Encumbrances.* This account is used to earmark institutional funds for commitments made to individuals or firms to insure that payment can be made when obligations become due. It is credited when a commitment is made and is debited when a commitment is paid.

31x *Fund Balance.* This account represents the portion of each fund's assets that is available for use by the institution. It may represent (1) the principal of a fund such as endowment or loan or (2) an excess of revenues over expenditures. All revenue and expenditure accounts are closed to this account at the end of each year unless other accounts are designated. Separate fund balances are required within each fund group. For example, separate accounts are needed for term endowment, quasi-endowment—unrestricted, quasi-endowment—restricted, and National Direct Student Loans (NDSLs). There is no fund balance for the agency fund group.

320 *Undistributed Gains and Losses on Investment Transactions.* This account is used to accumulate capital gains and losses resulting from the sale of investments that are in an endowment pool. The undistributed gains and losses should be segregated with their unrestricted and restricted components.

330 *Investment in Plant.* This account is credited for the institution's investment in plant assets. It *does not* include the value of plant assets purchased with bonds or loans that are still outstanding. As bonds or loans are paid off, account 261 or 262 should be debited and account 330 should be credited.

340 *Budgeted Revenues.* This account is used to record the anticipated revenues for each fund at the beginning of each year, as approved in the operating budget. Budget amendments for anticipated revenue are also recorded in this account after such amendments are approved. This account is debited for the amount of anticipated revenues and account 380, *budgeted fund balance charges,* is credited. The account is closed at year-end by crediting it and debiting account 380.

This is the *control* account for budgeted revenues at the *fund* level. To facilitate budgetary accounting, memorandum entries should be made for each specific source of revenue, using general ledger codes 401-96. These memorandum entries are made at the organizational unit level.

350 *Budgeted Personnel Expenses.* This account is used to record the salaries, other personnel services, and personnel benefits appropriation approved in the operating budget and subsequent budget amendments. To record budgeted personnel expenses, this account is credited and account 380, *budgeted fund balance changes,* is debited. The account is closed at the end of the year by debiting it and crediting account 380.

This is the *control* account for budgeted personnel expenses at the *fund* level. To facilitate budgetary accounting, memorandum entries should be made for each specific type of personnel expense, using general ledger codes 501-98. These memorandum entries are made at the organizational unit level.

351 *Encumbrances—Personnel Expenses.* An encumbrance is an obligation or a commitment that will become payable when goods are delivered or services are rendered. This account is used to record the institution's commitment to pay its employees when they render service. It is debited and account 301, *funds reserved for encumbrances,* is credited for the annual, or contract, salary of each employee at the beginning of each year or upon employment. This account is credited and account 301 is debited for the amount paid each employee as he or she is paid. When an employee terminates, the balance of the funds encumbered for the employee is removed by crediting this account and debiting account 301.

360 *Budgeted Current Expenses.* This account is used to record the current expenses appropriation approved in the operating budget and subsequent budget amendments. To record the current expenses budget, this account is credited and account 380, *budgeted fund balance changes,* is debited. The account is closed at the end of the year by debiting it and crediting account 380.

This is the *control* account for budgeted current expenses at the *fund* level. To facilitate budgetary accounting, memorandum entries should be made for each specific type of current expense, using general ledger codes 605-95. These memorandum entries are made at the organizational unit level.

361 *Encumbrances—Current Expense.* This account is used to encumber funds when purchase orders are issued for current expenses or when current expense funds are otherwise obligated. The procedure is identical to that used for account 351.

370 *Budgeted Capital Expenditures.* This account is used to record the capital outlay appropriation approved in the operating budget and subsequent amendments. To record the capital outlay budget, this account is credited and account 380, *budgeted fund balance changes,* is debited. The account is closed at the end of the year by debiting it and crediting account 380.

This is the *control* account for budgeted capital outlay at the *fund* level. To facilitate budgetary accounting, memorandum entries should be made

for each specific type of capital outlay, using general ledger codes 701-63. These memorandum entries are made at the organizational unit level.

371 *Encumbrances—Capital Outlay.* This account is used to encumber funds when purchase orders are issued for capital outlay items. The procedure is identical to that used for account 351.

380 *Budgeted Fund Balance Changes.* This account is used to reflect the estimated increase or decrease in fund balance that will occur during the year, as stated in the operating budget and in subsequent budget amendments. At the beginning of the year, it is debited for budgeted personnel expenses, current expense, and capital expenditures and is credited for budgeted revenues. Any budget amendments are recorded in the same manner.

At the end of the year, this account is debited for the amount of revenues budgeted and is credited for the budgeted amount of salaries and other personnel services, current expense, and capital expenditures. At the end of each year, balances remaining in accounts 361 and 371 are closed by crediting them and debiting account 311, *fund balance,* thus reserving a portion of the institution's funds for these future liabilities. These amounts should not be shown on the balance sheet as a liability, since the goods or services have not been received. Disclosure should be made, however, that funds have been committed for future liabilities; this is adequately accomplished by reserving a portion of the fund balance. The entry is reversed in the new year. Funds reserved at the end of a year should be reappropriated.

Balances remaining in account 351 at the end of each year normally are closed by crediting it and debiting account 301, *funds reserved for encumbrances.* Salary and other personnel services encumbrances cannot be carried forward into the next year since *personnel expenses* funds are appropriated on an annual basis to pay for services rendered during *that* year. The sole exception to this procedure occurs when a contract is issued to a faculty member to teach during a summer term, which crosses fiscal years. In such instances, if funds have been encumbered for salary or other personnel services, these encumbrances should be brought forward into the new year.

Revenues and Receipts (Positions 6, 7, and 8)

400 *Revenue Control.* This is the general ledger control account for all revenues. It is credited when revenue is earned, regardless of whether it has been collected or not. This is an optional account. If it is used, the revenue accounts that follow are used as subsidiary accounts. If it is not used, these revenue accounts are actually the general ledger revenue accounts.

401 *Tuition.* This account is used for tuition received from students.

404 *Laboratory Fees.* This account is used to record fees assessed to students for certain courses that have unusual or high costs of instruction, such as chemistry and music.

405 *Application Fees.* If a fee is charged to a prospective student when he or she applies for admission, such fees are credited to this account and are used to finance the educational and general support activities of the institution.

406 *Transcript Fees.* If fees are charged to students for transcripts, they are credited to this account and are used to finance the educational and general support activities of the institution.

409 *Other Student Fees.* All student fees not included in accounts 401-8 are credited to this account. Registration fees for noncredit short courses and for conferences and late registration fees are included here. Fines and penalties, however, are included in account 481.

421 *Government Grants and Contracts—Federal.* This account is used to record grant and contract support (restricted and unrestricted) received from the federal government, whether received directly or through the state as an administering agency.

422 *Government Grants and Contracts—State.* This account is used to record grants from or contracts with the state. Student fees paid by the state (for a named individual) should be recorded in the proper student fee account or in the proper *agency funds* account.

423 *Government Grants and Contracts—Local.* This account is used to record all support, whether restricted or unrestricted, from the local government. Where the payment for a governmental agency is for fees paid for its employees, the proper student fee account or the proper *agency funds* account should be used (e.g., *deposits held in custody for others*).

429 *Indirect Cost Recovered—Government.* This account should be debited in the fund that housed the grant or contract and should be credited in *current funds—unrestricted.* Following this procedure eliminates the double reporting of revenue as a technique to increase efficiency.

431 *Gifts from Individuals.* This account is used to record restricted and unrestricted gifts to the institution from individuals. Gifts for scholarships should be credited to this account in *current funds—restricted* only when the institution designates the person to receive the award. When the donor reserves the right to designate the person to receive the award, the funds should be credited to the proper student fee account in *current funds—unrestricted* or to account 211 in *agency funds.*

432 *Gifts from Charitable Organizations.* This account is used to record restricted and unrestricted gifts to the institution from charitable organizations. Gifts for scholarships should be credited to this account in *current funds—restricted* only when the institution designates the person to receive the award. When the donor reserves the right to designate the person to receive the award, the funds should be credited to the proper student fee account in *current funds—unrestricted* or to account 211 in *agency funds.*

433 *Gifts from Business and Industry.* This account is used to record restricted and unrestricted gifts to the institution from business and industry. Gifts for scholarships should be credited to this account in *current funds—restricted* only when the institution designates the person to receive the award. When the donor reserves the right to designate the person to receive the award, the funds should be credited to the proper student fee account in *current funds—unrestricted* or to account 211 in *agency funds.*

434 *Private Grants and Contracts.* This account is used to record receipts from grants and contracts between the institution and sources other than local, state, or federal governments.

Generally, a grant or contract requires performance of a service and an accounting of the results to the grantor or contractor. Consequently, these receipts are usually classified as restricted.

439 *Indirect Costs Recovered—Private Sources.* This account should be debited in the fund that housed the grant or contract and should be credited in *current funds—unrestricted.* Following this procedure eliminates the double reporting of revenue as a technique to increase efficiency.

451 *Endowment Income.* Earnings on endowments should be credited to this account in the fund that is to benefit from the endowment earnings. The income should be classified as restricted or unrestricted as specified by the terms of the endowment gift.

452 *Earnings on Other Investments.* This account is used to record the interest and dividends earned on investments and on student loans. It should not be used to record income from endowments, even if such income is in the form of interest and dividends.

453 *Gain or Loss on Investments.* This account is credited with the gain realized on the sale of investments and is debited with the loss incurred on the sale of investments. For endowments, this account affects the principal account, not the income account.

460-79 *Sales and Services.* Accounts 460-79 may be used as needed to report managerial information about *auxiliary enterprises revenue.* For instance, accounts may be established to account for *taxable textbook sales* separate from *nontaxable textbook sales.* The accounts that follow are given as examples only.

460-64 *Bookstore Sales.* This group of accounts is used to record sales by the bookstore. If the bookstore has departments, account numbers could be used to record the sales of each department separately. Different account numbers could also be used to separate taxable sales from nontaxable sales.

465-69 *Food Services Sales.* These accounts are used to record the revenue from food service operations, regardless of whether food service is administered in-house or on a contractual basis. It should *not* include revenues from commissions earned on vending machines.

470 *Housing Fees.* This account is used to record students' housing fees when the institution provides housing.

471 *Other Sales and Services.* This account is credited with the proceeds from all sales and services not otherwise classified.

479 *Interdepartmental Sales.* This account is used to record sales of service departments, such as central stores, duplicating, and office machine repair. If the selling price of supplies or printing is designed to recover all costs of the service department, including salaries, the service department should be accounted for in the *auxiliary* function of *current funds—unrestricted.* If salaries are not passed on to using departments, these activities may be accounted for in the *institutional support* function of *current funds—unrestricted.* In the latter case, sales to departments should be coded not as interdepartmental sales but as expense refunds, so that expenditures are not reported twice.

481 *Fines and Penalties.* This account includes fines and penalties such as those for library books and parking tickets. Parking *fees* or *permits* are not recorded here but in accounts 460-79, *sales and services.* Collections from students to replace lost library books are also not included in this account but are credited to account 730, *library books and films.*

489 *Miscellaneous Revenue.* This account is credited with any revenue that cannot be classified otherwise.

491 *Proceeds from Sale of Fixed Assets.* This account is used to record the proceeds from sales of fixed assets, such as land, equipment, and vehicles. It should be used only when an actual sale is made and should *not* be used to record the trade-in allowance on equipment traded for other equipment.

496 *Prior-Year Corrections.* This account should be used to record corrections of revenues and expenditures that were originally recorded in a prior fiscal year. Error corrections that are not material, however, may be made directly to the general ledger code originally debited or credited.

Expenditures and Transfers (Positions 6, 7, and 8)

The following brief account descriptions are provided as a guide and are not intended to be all-inclusive.

500 Personnel Compensation

This is the general ledger control account for all salaries, other personnel services, and personnel benefits paid, or payable, during a year. Payments recorded in this account should not exceed the amount in account 350, *budgeted personnel expenses.*

Additional general ledger codes may be added to the salary accounts that follow in order to provide additional management information. For instance, salaries may be classified by such characteristics as nine- or twelve-month personnel, summer salaries, extra pay, and part- or full-time personnel.

510 *Professor.* This account is used to record gross salary payments to persons filling authorized salary positions at the rank of professor.

515 *Associate Professor.* This account is used to record gross salary payments to persons filling authorized salary positions at the rank of associate professor.

520 *Assistant Professor.* This account is used to record gross salary payments to persons filling authorized salary positions at the rank of assistant professor.

525 *Instructor.* This account is used to record gross salary payments to persons filling authorized salary positions at the rank of instructor.

530 *Lecturer.* This account is used to record gross salary payments to persons who have been appointed, normally for a fixed term, with the title of lecturer.

535 *Other Faculty.* This account is used to record gross salary payments to persons who do not have any of the appointments described in accounts 510-30 but who are considered faculty members.

540 *Graduate Students.* This account is used to record gross salary payments to persons who are graduate students and have employment contracts. However, this category is not used for fellowship payments, which should be recorded in account 696.

550 *Executive/Administrative/Managerial Professionals.* This account is used to record gross salary payments to persons filling authorized salary positions for which the primary duty is planning, organizing, and managing the institution or a subdivision of it. Examples are president; assistant to the president; vice-presidents; chief academic officer; business officer; student services officer; librarian; planning officer; development officer; and managers of admissions, alumni affairs, athletics, computer center, personnel services, and purchasing.

555 *Specialist/Support Professionals.* This account is used to record gross salary payments to persons filling authorized salary positions whose assignments require (1) advanced knowledge or competence in a field of science or learning or (2) original and creative work in an artistic field. Examples are counselors, curriculum development specialists, librarians, accountants, and researchers.

560 *Technical.* This account is used to record gross salary payments to persons filling authorized salary positions whose assignments require specialized knowledge or skills that may be acquired through experience or academic work. Examples are computer programmers and operators; draftsmen; engineering aides; junior engineers; mathematical aides; licensed, practical, or vocational nurses; dietitians; and medical, dental, electronic, or physical sciences technicians.

565 *Office/Clerical.* This account is used to record gross salary payments to persons filling authorized salary positions whose assignments are typically associated with clerical activities or are specifically of a secretarial nature. Examples are (1) personnel responsible for internal and external communications, recording and retrieval of data (other than computer programmers), and information and other paper work required in an office, including bookkeepers, stenographers, clerk typists, office-machine operators, statistical clerks, and payroll clerks; (2) sales clerks, such as those employed full-time in the bookstore; and (3) library clerks.

570 *Crafts/Trades.* This account should be used to record gross salary payments to persons filling authorized salary positions whose assignments typically require special manual skills and a thorough knowledge of the process involved in the work, acquired through on-the-job training and experience or through apprenticeship or other formal training programs. Examples are mechanics, repair persons, electricians, stationary engineers, skilled machinists, carpenters, compositors, and typesetters.

575 *Service.* This account is used to record gross salary payments to persons filling authorized salary positions whose assignments require limited skills and knowledge and in which workers perform duties that (1) result in or contribute to the comfort, convenience, and hygiene of personnel and the student body or (2) contribute to the upkeep and care of buildings, facilities, or grounds of the institutional property. Examples are chauffeurs, laundry and dry cleaning operators, cafeteria and restaurant workers, truck drivers, bus drivers, garage laborers, custodial personnel, gardeners and grounds keepers, refuse collectors, construction laborers, and security personnel.

580 *Students—Undergraduate.* This account is used to record payments to undergraduate students for services rendered as student employees or as work-study students, both on- and off-campus.

589 *Vacation and Sick Leave Accrual.* This account is used to record the accrual of vacation and sick leave if the institution does so. Such charges are recorded at the time the leave is taken.

590 *Social Security Contributions.* This account is charged with the institution's matching portion of FICA payroll taxes on employees' salaries.

591 *State Unemployment Insurance.* This account is charged with the institution's payment to the state for unemployment insurance.

592 *Worker's Compensation.* This account is charged with the institution's payment to the state for worker's compensation.

593 *Health and Life Insurance.* This account is charged with the institution's contribution toward employees' medical, disability, and life insurance premiums.

594 *TIAA-CREF Retirement.* This account is charged with the institution's portion of the TIAA-CREF retirement program.

595 *Other Retirement.* This account is charged with the institution's portion of any other employee retirement program.

596 *Tuition—Children, Faculty, Staff.* This account is charged with the amount of tuition waived for children, faculty, or staff members.

600 Services, Supplies, and Other Current Expenses

This is the general ledger control account for all current expenses paid, or payable, during a year. Payments recorded here must *never* exceed the amount in account 360, *budgeted current expenses.*

605 *Communication and Information.* This account includes all services for postage, telephone, advertising, freight, express, and membership, as well as all subscriptions, books, and periodicals other than library acquisitions.

610 *Printing and Duplicating.* This account includes photocopying and printing, both in-house and contracted.

615 *Travel and Transportation.* This account includes payments for transportation fare; car rental charges; mileage; per diem payments; and related expenses of travel, such as tolls, parking fees, and taxi fare for persons authorized to travel at the institution's expense. The account should be charged with expenses, in addition to travel, of authorized persons attending conferences and meetings. It should also include the cost of moving and relocation.

620 *Computing and Data Processing.* This account includes all contracted computer services and data processing expenses and the charges assessed departments for the use of institutional computer services.

625 *Professional Services and Honoraria.* This account includes legal fees; auditing fees; investment fees; medical fees; consultant fees; honoraria paid to speakers; and any other payments of a professional nature, other than payments to persons for conducting instructional activities, which should be charged to accounts 510-35.

630 *Custodial, Security, and Other Services.* This account is charged with the cost of custodial, security, maintenance, and repairs performed by other than instructional personnel.

635 *Insurance.* This account includes all institutional insurance premium payments for liability, property, automobile, and other insurance premiums.

640 *Utilities.* This account is charged with the cost of electricity, water, waste collection, heat, fuel oil and gas for heating, and air conditioning. Utilities for use in laboratories are charged to account 665, *educational and office materials and supplies.*

650 *Rental/Lease.* This account is charged with the rental or lease of buildings, machinery, data processing equipment, land, and other items.

655 *Miscellaneous Services.* This account is charged with such items as royalty fees, taxes, and payments in lieu of taxes.

660 *Office and Instructional Supplies.* This account includes such classroom materials as workbooks, music supplies, physical education supplies, art materials, and magazines and periodicals when purchased for classroom or office use. Stationery and general office supplies, such as carbon paper, accounting pads, staples, paper clips, ribbons, pencils, file folders, calendars, printed forms, and such data processing supplies as punch cards, tapes, reels, and ribbons should also be charged here. Photographic film and supplies, duplicating fluids and paper, ink and mimeograph paper, and photocopy paper and supplies are also charged to this account.

665 *Laboratory Supplies.* This account includes parts, metal stocks, welding rods, wood, gas, oil, electrical supplies, and small tools used in occupational courses as well as laboratory supplies, such as chemicals, test tubes, and beakers. Audiovisual materials, such as records, tapes, overlays, and slides, that are defined as materials and supplies are also included. Photographic film and supplies, duplicating fluids and paper, ink and mimeograph paper, and photocopy paper and supplies are charged to this account.

670 *Maintenance and Repair Supplies.* This account is charged with all materials and supplies used by institutional personnel to construct, repair, or maintain buildings and equipment. Examples are lumber and wood products, nails, paint, floor coverings, electrical materials and supplies, plumbing materials and supplies, masonry products, asphalt and gravel, light bulbs, fuses, and fire extinguisher refills. The account also includes tools normally used by carpenters, painters, electricians, plumbers, metal workers, masons, and mechanics.

675 *Custodial and Cleaning Supplies.* This account includes all custodial and cleaning supplies used in maintaining campus facilities, buildings, and grounds.

680 *Minor Equipment (under $___).* This account includes all minor equipment items that are below the minimum amount set for capitalization.

685 *Other Supplies.* This account includes all other supplies, such as food, laundry and dry cleaning, gasoline, and diesel motor fuels, not included in other categories.

690 *Other Current Charges.* This account includes such items as interest on debt, payments on debt principal, depreciation, and purchases for resale. Any items material in amount should be assigned separate expense codes (e.g., 691, 692, 693).

695 *Scholarships and Fellowships.* This account is charged with all scholarship payments to students. It does *not* include payments to students for loans or for services rendered. It also does *not* include awards to students when the donor reserves the right to designate the person who receives the award; in these cases, the funds should be credited to the proper student fee account in *current funds—unrestricted* or should be charged to account 211, *deposits held in custody for others,* in *agency funds.* Under certain conditions, a student's fees may be waived. All student fees should be reported as revenue, however, even though not collected. When fees are waived, the proper income account(s) should be credited and this account should be debited, thus reflecting the gross revenues and the expense to the institution.

Appendix B

Exhibit B1
Charge List

Sheet number _____ Date _____

Student or other name	Student or other number	Account classification	Reference	Amount

Exhibit B2
Accounts Receivable Ledger

Name _____

Address _____

_____ Account number _____

Date	Description	Reference	Charges	Receipts	Balance

Exhibit B3
General Ledger

Account title _____ Account number _____

Date	Description	Reference	Debits	Credits	Balance

Exhibit B4
Statement of Account as of _____

Name _____

Address _____ Account number _____

_____ Amount remitted $_____

Please detach this stub and return it with your remittance.

Date	Description	Amount

Date paid	Check number	Current balance

For your records ▶

Exhibit B5
Cash Receipt

Date _____ Check transit code _____

Received from _____ Customer account number _____

_____ Dollars $_____

Account credited Amount

(Give a brief explanation of transaction for future identification.)

Receipt number—numerical Cashier's signature

(Should be pre-numbered)

Original: Remitter
Duplicate: Accounting
Triplicate: Cashier's file

Exhibit B6
Cash Receipts Register

Date _____

Student or other account number	Student or other name	Account credited	Amount

Exhibit B7
Purchase Order Register

Date _____

Date	Purchase order number	Vendor	Amount of order	Distribution account	Distribution amount

Exhibit B8
Request for Payment

Date

Pay to | Employee payroll number

Street

(Please type or print clearly) City and state | Zip code

Special requirements:

Date check required _____ 19__ (Normal processing time: two days after receipt by cashier's office)
Return check to _____ (If required by individual other than payee)

Purpose of payment	Account title	Budget account number	Amount

Total amount $_____

Instructions: Use to initiate payment of travel advances (indicate destination and dates of trip), honoraria and awards, refunds, petty cash reimbursement (attach receipts), reimbursement of campus visitors (official guests or scheduled participants), and similar transactions where an invoice is not normally furnished.

Originator	Date	Purchasing office approval	Date
Department chairperson	Date	Cash received by:	Date

White: Cashier's office copy
Yellow: Originating department

Exhibit B9
Check Register

Date _____

Date	Check number	Purchase order number	Payee	Amount of check	Distribution account	Distribution amount

Exhibit B10a
Report of Expenditures

Name _____

Period from _____ to _____

Date 19___	Reason for expenditure	Transportation: Personal car	Transportation: Rental car	Transportation: Airfare	Transportation: Taxi and other	Hotel (attach statement)	Meals	Telephone	Other amount	Explanation	Daily totals
	Totals										

Date	Account code	Amount
Signature		
Approved by		

Less advance	
Date	Amount
Total advances	
Balance due to individual or Amount owed ( ) to college	

Exhibit B10b
Reimbursement of Personal Travel Expense

Purpose of Trip

Transportation Summary (PA = private auto; CA = college auto; PC = public carrier; RC = rental car)

Date	From	To	Mode	Miles	Amount

Reimbursement is not authorized for such personal expenses as flight insurance, alcoholic beverages, personal telephone calls, or valet service.

Distribution - Approvals

Account	Amount

Chairperson/administrator	Date
Dean/director	Date

A properly approved travel expense report is due in the controller's office within three working days after payee's return to campus.

A second travel advance is not possible until settlement for the previous advance is made.

Expense Summary
(Itemized on reverse side)

Lodging (receipt required)	
Meals	
Other	
Total trip expense	
Deduct: prepaid registration fees	
Deduct: advance fares	
Deduct: travel advance	
Amount due payee	
Amount due college	

Payee signature and date	

Payee name, typed or printed

117

118

Exhibit B11a
Time Card

Employee name _____

Social security number _____

Pay period ending _____

Total days _____ (Hour) × _____ (Rate) = _____ (Gross pay)

Less: FICA _____

Federal tax _____

State tax _____

Other _____

Net check _____

Date		Location or type of work	Account number Reg. hrs.	O.T. hrs.	Total hrs.

Total hours _____

Overtime premium _____

Total pay hours _____

Distribution of time could be printed on the reverse side of the time card.

Exhibit B11b
Payroll Summary—Support Staff

Department _____

Pay period ending _____

Employee payroll number	Account number	Employee's last name	Number of hours in pay period			Total hours	Rate	Amount

Signature (person preparing payroll) _____ Date _____

Certified (chairperson/administrator) _____ Date _____

Payroll total

White: Controller
Yellow: Originating office

Exhibit B11c
Payroll Time Report

Employee name	Employee payroll number
Two weeks ending (Saturday date)	Department
Account title	Account number

Classification
☐ Student ☐ Support staff

First week						Second week					
Date	Day	A.M. P.M.	Time in	Time out	Total hours per day	Date	Day	A.M. P.M.	Time in	Time out	Total hours per day
	Sun.	A.M.					Sun.	A.M.			
		P.M.						P.M.			
	Mon.	A.M.					Mon.	A.M.			
		P.M.						P.M.			
	Tues.	A.M.					Tues.	A.M.			
		P.M.						P.M.			
	Wed.	A.M.					Wed.	A.M.			
		P.M.						P.M.			
	Thurs.	A.M.					Thurs.	A.M.			
		P.M.						P.M.			
	Fri.	A.M.					Fri.	A.M.			
		P.M.						P.M.			
	Sat.	A.M.					Sat.	A.M.			
		P.M.						P.M.			
Total hours (first week)						Total hours (second week)					
Student number if student:						Total hours					

Instructions:

A. Student employees
   1. Time reports are turned in to supervisors.
   2. Payroll summaries with supporting time reports attached are due in payroll office by noon on Monday following the last Saturday of the month.

B. Support staff
   1. Payroll summaries with time reports attached are due in payroll office by noon on Monday following the last Saturday of the month.
   2. Payday occurs on Friday following the last Saturday of the month.
   3. Employment and payroll records must be completed before payment can be made.

Employee signature	Date	Certified (chairperson/administrator)	Date

White: Payroll office
Yellow: Originator

Exhibit B12
Payroll Register

Payroll type _____ For period from _____ to _____

Social security number	Name	Total hours	Rate	Gross pay	Deductions						Pay net	Check number
					FICA	Federal tax	State tax	Group insurance	Retire-ment	Other		

Exhibit B13
Statement of Earnings and Payroll Check

Period ending _____ Hours _____ Rate _____ Gross pay _____

Gross	FICA	Federal income tax	State income tax	Other

Total deductions _____
Net pay _____
Social security number _____

Peoples College
ORANGE, NORTH CAROLINA

CHECK NO.

DATE

AMOUNT

PAY TO THE ORDER OF

Peoples College
PAYROLL ACCOUNT

LAST BANK
ORANGE, NORTH CAROLINA

Exhibit B14
Employee Earnings Record

Name _____ Social security number _____

Address _____ Job classification _____ Number of dependents _____

Pay period ending	Current pay period									Year-to-date totals							
		Deductions								Deductions							
	Gross pay	FICA	Federal tax	State tax	Group insurance	Retirement	Other	Net pay	Gross pay	FICA	Federal tax	State tax	Group insurance	Retirement	Other	Net pay

Exhibit B15
General Ledger—Income Accounts

Account title _____ Account code _____

Date	Description	Reference	Budget	Debits	Credits	Balance	Amount of budget unrealized

Exhibit B16
General Ledger—Expenditure Accounts

Account title _____ Account code _____

Date	Purchase order number	Check number	Description	Reference	Allotments	Encumbrances	Disbursements	Total encumbrances and disbursements	Unencumbered balance

Exhibit B17
Journal Voucher

Date _____ Voucher number _____

Description	Posted	Account number	Debit amount	Credit amount

Total

Explanation (attach supporting documents):

Prepared by _____ Posted _____

Approved by _____ By _____

Exhibit B18a
Endowment and Similar Funds—Archival Summary

Fund name

	Date received
Account number	Document date

How recorded
☐ Will ☐ Letter ☐ Board minutes

Quotations from document:

Income designation

☐ Designated by college ☐ Stipulated by donor ☐ Unrestricted ☐ Escape clause

Conclusions about principal:

- ☐ Principal not expendable (permanent endowment)
- ☐ Principal expendable
- ☐ Term endowment (number of years _____)
- ☐ Designated by college (quasi-endowment)
- ☐ Annuity
- ☐ Life income

Rationale:

Exhibit B18b
Gift Record

Donor's name

Address

Account code number	Account title	Alumnus ☐ Yes ☐ No

Purpose and restrictions (including beginning date)

Gift acknowledged by	Expenditures to be authorized by

Reports made to donor (method and date)

Nature of gift (cash, securities, equipment, or other)	Market value as of ____			
	High	Low	Average	Amount
Received through ____ Securities ☐ Sold ☐ Added to endowment			Total	$

Date	Reference		Amount	New balance

NACUBO Board of Directors

Mary M. Lai, President, *Long Island University*
Orie E. Myers, Jr., Vice President, *Emory University*
Roger D. Lowe, Secretary, *Wichita State University*
Robert L. Carr, Treasurer, *Office of the Council of State College and University Presidents* (Washington State)
Dennis Blossom, *University of Missouri*
James H. Colvin, *University of Texas, Austin*
J. Leslie Hicks, Jr., *Denison University*
Walter R. Jahn, *Creighton University*
Herman D. Johnson, *University of California, San Diego*
Anthony D. Lazzaro, *University of Southern California*
George B. May, *Amherst College*
Anthony T. Procelli, *Hofstra University*
George J. Ruschell, *University of Kentucky*
R. Eugene Smith, *Memphis State University*
Robert R. Winterberg, *University of the Pacific*

D. F. Finn, *Executive Vice President*